

California Public Employees' Retirement System

# 2010 Annual Compliance Report



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Prepared by the Office of Enterprise Compliance

# Acknowledgements

The Chief Compliance Officer would like to acknowledge the following groups and individuals for their contributions toward establishing a successful enterprise-wide compliance program and the completion of this report:

- The Finance Committee Chair, Chief Executive Officer, Chief Investment Officer, and the General Counsel for their strong support of the Office of Enterprise Compliance and its mission and activities.
- The Legal Office, Office of Audit Services, and the Information Security Office for their valuable ongoing partnership and support of the Office of Enterprise Compliance's activities, assisting with the creation and development of an innovative, responsive, and effective compliance program.
- The Executive Team and Senior Management, for their support and leadership in successfully introducing, establishing, developing, and maintaining the enterprise-wide compliance program.
- All of the Divisions for their contributions to this report and for their ongoing compliance efforts throughout the year.

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California Public Employees' Retirement System

Year Ending December 31, 2010

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Henry Jones, Chair  
CalPERS Finance Committee





## Chair of the Finance Committee

### Letter of Transmittal

December 31, 2010

Members of the CalPERS Board of Administration

I am pleased to present the CalPERS Annual Compliance Report for the one-year period ended December 31, 2010.

As the Chair of the Finance Committee, I consider fiduciary responsibility and compliance to be of the utmost importance in guiding the actions of the Finance Committee. I applaud CalPERS Board and staff efforts to establish an ethics helpline, implement an enhanced Form 700 review process, and improve transparency.

The mission of the CalPERS Office of Enterprise Compliance is to ensure, promote, and support an organizational culture which builds compliance awareness into the daily business processes for investments, health, and pensions. As part of the newly established Office of Enterprise Risk Management, the Office of Enterprise Compliance is central to CalPERS compliance and awareness efforts.

The accomplishments in this report represent considerable effort by dedicated staff on a wide range of initiatives. Those initiatives are used to continually improve the systems and processes that support our staff in their efforts to comply with the laws, rules, regulations, policies, and best practices that make up our governance framework.

This is the sixth CalPERS Annual Compliance Report. It summarizes the accomplishments for the entire CalPERS enterprise for 2010 and highlights various compliance enhancements we are pursuing in 2011.

In the coming year, we will continue our compliance efforts to help fulfill our mission to provide secure retirement and health benefits to all our members and their families.

Sincerely,  
Henry Jones  
Chair  
CalPERS Finance Committee



## Chief Executive Officer's Message

December 31, 2010

CalPERS is committed to ensuring strong governance and compliance to create a solid foundation for all our operations. This report outlines our recent efforts to enhance our compliance function and to ensure that we maintain the public trust by being an ethical, effective, and cost-efficient organization.

Our Office of Enterprise Compliance (ECOM) had a productive year. ECOM established the CalPERS Ethics Helpline to allow anonymous, 24-hour 365-day reporting of suspected misconduct. In addition, ECOM expanded the existing CalPERS Form 700 Process to provide an enhanced review. The enhanced review process will ensure transparency of our CalPERS Board Members, staff and consultants and vendors.

The enterprise continued to support compliance through the establishment of a new Office of Enterprise Risk Management and Chief Risk Officer position. This new office will provide additional oversight and a holistic view of risk management at CalPERS.

Under the leadership of the Chief Risk Officer, the Office of Enterprise Risk Management will combine the existing Office of Enterprise Compliance, Office of Enterprise Privacy and Security, and Business Continuity and Disaster Recovery functions, and adds the new Office of Enterprise Risk Intelligence.

I'm confident these efforts will enhance trust in our operations and continue to expand our compliance efforts in the coming year.

Sincerely,  
Anne Stausboll  
Chief Executive Officer



Anne Stausboll  
Chief Executive Officer

# About CalPERS

Headquartered in Sacramento, the California Public Employees' Retirement System (CalPERS) operates a portfolio valued at \$223.8 billion, as of December 31, 2010. CalPERS provides retirement benefits to over 1.6 million individuals and health benefits to nearly 1.3 million individuals, consisting of active and retired members from more than 3,033 State, school district, and local public agency employers. CalPERS also operates eight Regional Offices located in Walnut Creek, Glendale, Orange, Fresno, Sacramento, San Bernardino, San Diego, and San Jose.

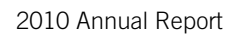
CalPERS is led by a 13-member Board of Administration (the Board), consisting of member-elected, appointed, and ex officio members.

## Key Dates in CalPERS History

1931	CalPERS was established in law.	2004	CalPERS appointed the CalPERS Chief Compliance Officer (CCO) and created an enterprise-wide compliance and monitoring program.
1932	CalPERS began administering retirement benefits for State employees.	2004	CalPERS launched the new improved CalPERS On-Line website on March 27.
1939	Public agencies and classified school employees were allowed to contract with CalPERS to provide retirement benefits for their employees.	2004	CalPERS initiated the Environmental Technology Investment Program.
1962	CalPERS began administering health insurance benefits for State employees.	2004	CalPERS adopted reduced hospital network and regional health plan pricing.
1967	Public agencies and classified school employees were allowed to contract with CalPERS to provide health benefits for their employees.	2004	CalPERS received an AAA rating from Fitch Ratings.
1984	CalPERS initiated a corporate governance reform program.	2005	CalPERS adopted an employer rate "smoothing" policy to reduce rate volatility.
1990	The Long-Term Care Act passed, allowing CalPERS to offer Long-Term Care (LTC) insurance to CalPERS members, California State Teachers' Retirement System (CalSTRS) members, and members who were eligible under the County Employees' Retirement Law of 1937.	2005	CalPERS completed its headquarters expansion in October.
1992	Proposition 162 was approved by voters, giving the CalPERS Board absolute and exclusive authority over the administration and investment of pension funds.	2005	CalPERS pension fund reached \$200 billion milestone on November 21.
1996	The LTC Program expanded to include all California public employees and retirees.	2007	CalPERS launched its retiree health benefit ("Other Post-Employment Benefits" or "OPEB") prefunding plan on March 1.
1996	CalPERS launched the International Corporate Governance Program.	2007	CalPERS celebrated its 75th anniversary.
1997	CalPERS adopted corporate governance principles for the United Kingdom.	2007	CalPERS launched myCalPERS website for members.
1997	CalPERS increased public disclosure of decision making.	2008	CalPERS created a new Inflation-Linked Asset Class (ILAC) to invest in commodities, forestland, inflation-linked bonds, and infrastructure.
1998	CalPERS adopted U.S. corporate governance standards.	2008	CalPERS launched online member education classes.
1999	CalPERS launched a corporate governance website, drawing worldwide interest.	2009	CalPERS adopted a policy on disclosure of placement agent fees.
2002	CalPERS launched a financial market reform initiative with principles and an action plan to prevent future Enron-type accounting abuses.	2009	CalPERS altered asset allocation given extraordinary market conditions, and raised private equity and cash allocation targets.
2003	CalPERS adopted a plan to crack down on executive compensation abuses.	2009	CalPERS adopted a special employer smoothing process for public agency and school employers in light of the extraordinary market downturn.
		2009	CalPERS launched CalPERSResponds.com.
		2010	CalPERS backed federal financial market reform.
		2010	CalPERS created the Chief Risk Officer (CRO) position and established the Office of Enterprise Risk Management (OERM).
		2010	CalPERS launched the CalPERS Ethics Helpline.



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# Compliance at CalPERS

Compliance programs have traditionally been structured around the minimum requirements established by the United States Sentencing Commission's "Organizational Sentencing Guidelines," which are widely recognized as hallmarks of an effective compliance and ethics program. Under these guidelines (see Appendix A), an effective program is maintained to exercise due diligence to prevent and detect criminal conduct and promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Two important goals of any compliance program are to help an organization's employees, managers, and governing body to simply do a better job, and identify and prevent improper conduct.

To uphold this spirit of ethical conduct and to better protect its members' best interests, CalPERS remains committed to full and complete compliance with all applicable laws, rules, and regulations. The Board, and specifically the Board's Finance Committee, requested that the CCO role be created and directed staff to create the concept paper or framework for the creation the Office of Enterprise Compliance (ECOM).

ECOM is working to bring increased transparency to the adequacy and integrity of CalPERS internal control systems by creating a centralized monitoring function and continually reporting the efficiency of these controls to the Finance Committee. In addition, ECOM has extended its outreach efforts to create opportunities to benchmark and identify "best practices" in various business lines and to provide assistance to CalPERS primary business lines. ECOM also administers the CalPERS Ethics Helpline, which provides anonymous 24-7 access for whistleblower reports, which is considered a best practice. The CalPERS Board also approved a Form 700 and Travel Transparency Policy requiring publication of the Form 700 disclosure statements and the Travel Information Summaries of Board members and representatives, Executive Staff, and key investment staff.

This is the sixth Annual Report for ECOM and summarizes CalPERS 2010 compliance-related accomplishments and goals for 2011.

CalPERS CCO regularly reports to the Finance Committee on the progress of the compliance program and makes recommendations for improvements to mitigate risks. In 2010, the CCO presented status reports of enterprise compliance activities to the Finance Committee at each of its seven meetings. The CCO also provided the Finance Committee with quarterly and annual reports. The CCO presented a status report on the CalPERS Ethics Helpline to the full Board of Administration in December 2010.

CalPERS compliance function is an integral part of the CalPERS internal control structure.

Under the direction of the CCO, ECOM:

- Functions as part of the business structure and decision-making process.
- Conducts employee compliance training.
- Develops compliance policies and procedures (including best practices).
- Monitors and reports on compliance-related activities for the various business lines.
- Conducts internal investigations.
- Administers the CalPERS Ethics Helpline.
- Performs the Form 700 Enhanced Review Process.

Promoting operational  
efficiency through  
compliance awareness.



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# Office of Enterprise Compliance

## Mission Statement

The mission of ECOM is to ensure, promote, and support an organizational culture which builds compliance awareness into the daily business processes for investments, health, and pension. We will accomplish this mission by monitoring CalPERS business activities, policies, and procedures, and by establishing an infrastructure that provides assurance to management that program areas comply with all applicable laws, regulations, policies, and best practices.

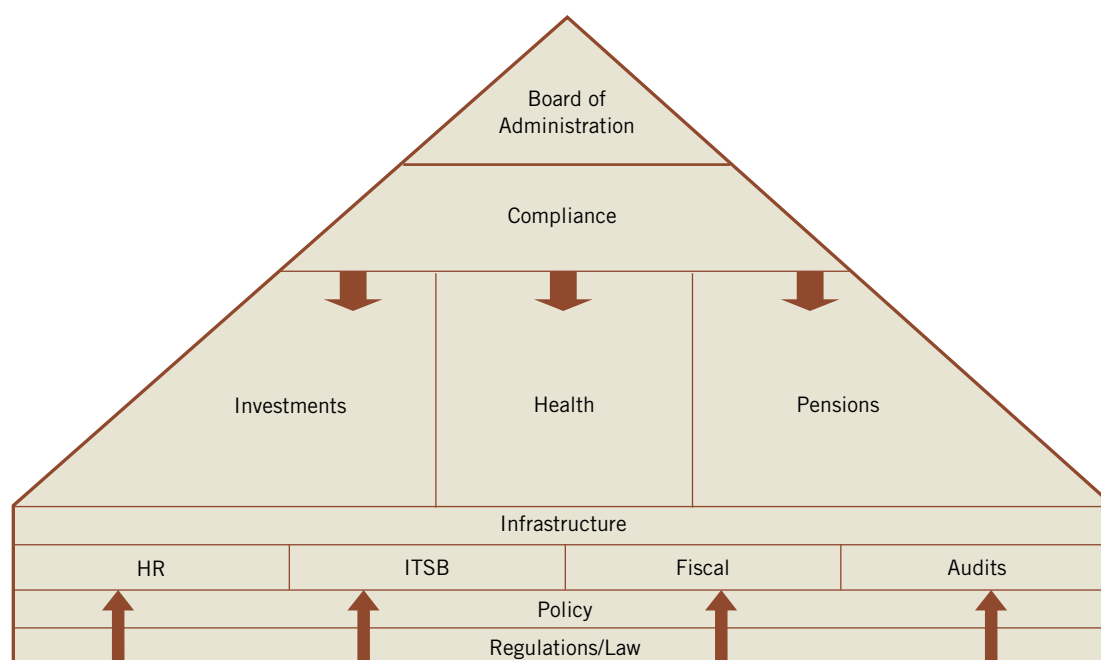
## Compliance Program Structure and Program Management

In support of CalPERS compliance efforts, ECOM staff:

- Gathers, organizes, and analyzes compliance information.
- Develops internal and external partnerships to formulate and recommend compliance best practices to management.
- Monitors and reports results of compliance monitoring efforts to management and to the Finance Committee.
- Provides ongoing guidance to management on all matters relating to compliance.

CalPERS faces an increasingly complex and challenging regulatory environment. In 2004, the CalPERS Finance Committee approved the creation of the CCO, to assist CalPERS in attaining compliance, as CalPERS faces a complex and quickly changing legal and regulatory environment. ECOM was charged with the responsibility for formalizing the compliance effort at CalPERS and constructing an enterprise-wide compliance program that builds compliance awareness into daily business activities. In 2010, the Compliance Program has expanded the fraud prevention program, with the addition of the Ethics Helpline monitor, and is creating a designated unit to perform review of financial disclosures of CalPERS staff and consultants.

Under the authority and guidance of the Finance Committee Chair, Chief Executive Officer (CEO), General Counsel, Deputy Executive Officer (DEO) and the Chief Risk Officer (CRO), ECOM staff work with the other CalPERS program areas, assisting them to identify potential compliance issues and develop mitigation strategies, consistent with best practices. ECOM staff works closely with CalPERS Office of Audit Services (OFAS) to identify areas of potential risk. The CalPERS Legal Office (LEGO) also works closely with ECOM and program staff to clarify legal requirements and assist in making sure that proposed mitigation strategies appropriately and accurately address relevant legal and regulatory requirements. This compliance model can be illustrated as:



## Current Staffing Structure

Currently, ECOM has 14 positions with an operating budget of \$1,122,374.

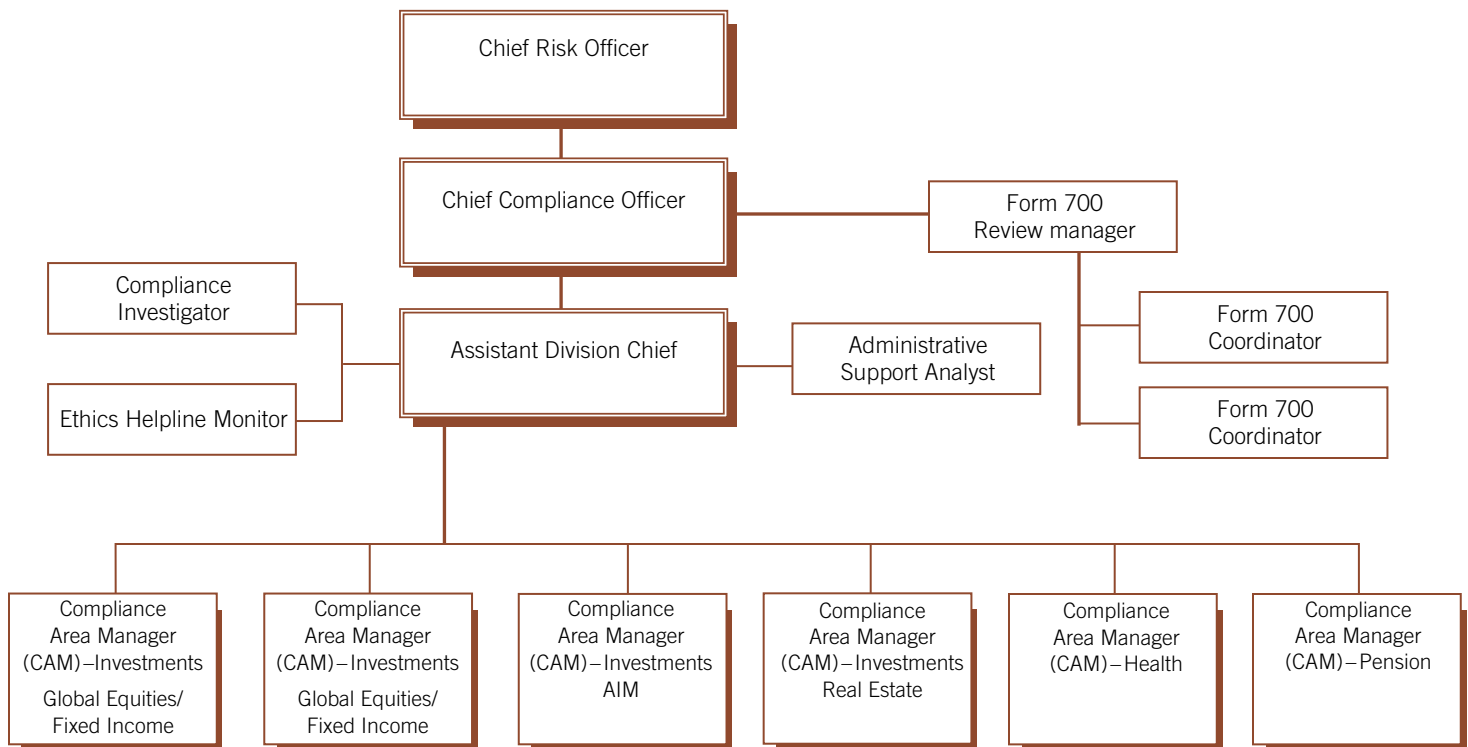
George Scarborough and MaryLee Miglino served as the Assistant Division Chief in 2010.

ECOM has Compliance Area Managers (CAMs) for each of the three primary business lines (Investments, Health, and Pension). The CAMs are business specialists who develop, monitor, and report compliance events, emerging trends, and risks within CalPERS primary business lines. During 2010, all six of these positions were filled. In addition to the ECOM Special Investigator, ECOM added the new CalPERS Ethics Helpline monitor position, and three new staff to oversee the CalPERS Internal Form 700, Annual Statement of Economic Interests Disclosure.

The new Form 700 staff will manage the CalPERS Internal Form 700, Annual Statement of Economic Interests Disclosure Process, and act as the Filing Officer to the Fair Political Practices Commission (FPPC) for CalPERS Form 700 filers (comprised of CalPERS Board of Administration and their representatives, designated employees, and consultants); overseeing the Form 700 Enhanced Review Process; reviewing consultant contract disclosures; preparing and maintaining the Form 700 Review Process Information Center on the CalPERS Insider; and implementing the CalPERS Form 700 and Travel Transparency Policy.

The current structure of ECOM's compliance function is illustrated in the chart below.

**Office of Enterprise Compliance  
Projected Staffing (to FY 2010-11)**



## New Initiatives

### **CalPERS Ethics Helpline**

In September 2010, the CalPERS Ethics Helpline was launched. The new CalPERS Ethics Helpline allows employers, employees, contractors, and the general public to anonymously and securely report concerns about potential misconduct or inappropriate activities. The Helpline reinforces CalPERS efforts to ensure transparency, accountability, fairness, and integrity in the workplace. The establishment of an ethics helpline administered by a third party vendor is considered a best practice.

The CalPERS Ethics Helpline is monitored by an external party, with a dedicated staff of call center specialists trained in handling reports from 120 countries. Reports can be submitted through a toll-free phone number or by submitting reports via a secure website 24 hours a day, 7 days a week, 365 days a year.

All issues will be treated confidentially. Anyone making a report has the option to remain anonymous by informing the intake specialist or requesting on the website to remain anonymous when submitting a report.

Reports will be evaluated and action will be taken as appropriate.

The U.S. Federal Sentencing Guidelines require an organization to have a system whereby the organization's employees and agents can "seek guidance" regarding potential or actual violations of law, and specifies the reporting mechanism may allow for anonymous reporting. The Association of Certified Fraud Examiners (ACFE) and the American Institute of Certified Public Accountants (AICPA) recommend the establishment of whistleblower hotlines as a best practice, and in private industry, Sarbanes-Oxley requires the establishment of anonymous whistleblower hotlines as a mandatory best practice.

ECOM administers the CalPERS Ethics Helpline, in conjunction with the following policies and laws:

- CalPERS Fraud, Criminal Acts, and Internal Investigations Policy
- Workplace Violence Prevention Policy
- California Whistleblower Protection Act
- Health Insurance Portability and Accountability Act of 1996 (HIPAA)
- California Government Code (GC) section 19990

### **Office of Enterprise Risk Management**

The creation of the new office and the CRO position was recommended by the CalPERS Ad Hoc Risk Management Committee, formed last year to a comprehensive examination of risk management governance, structures, and processes. In September 2010, the CalPERS Board of Administration approved the new Office of Enterprise Risk Management (OERM), to provide reassurance that the functional direction of management's approach to risk is in alignment with CalPERS strategic goals



and objectives, and, as necessary, escalate issues to the CEO and Board of Administration. OERM will combine the current functions of compliance, enterprise privacy and security, business continuity, and disaster recovery under one office, and adds a new Office of Enterprise Risk Intelligence. The CRO will oversee OERM and report to the DEO (Operations).

### **Working Values Training**

Working Values training included Executive sponsorship and was jointly presented by LEGO, the Human Resources Division (HRSD), and ECOM.

Working Values training was provided to all CalPERS Form 700 filers, and included an overview of CalPERS Statement of Incompatible Activities, Form 700 financial disclosures, travel rules, and gift policies.

## **Key Ongoing Compliance Activities**

### **ECOM**

In 2009, consistent with the Governor's Executive Order, General Counsel directed ECOM to facilitate a review of Form 700 documents submitted by CalPERS staff. ECOM staff developed an enhanced process for reviews of designated CalPERS staff Form 700 filers. ECOM conducted the Form 700 Enhanced Review. The Form 700 Enhanced Review Process included CalPERS Board of Administration and representatives, Executive Staff, all supervisors of Form 700 filers, and consultant financial disclosures.

### **OFAS**

The Financial Integrity and State Manager's Accountability Act (FISMA), contained in GC sections 13400 through 13407, requires each State agency to maintain an effective system of internal accounting and administrative control, to evaluate the effectiveness of these controls on an ongoing basis, and to biennially review and prepare a report on the adequacy of the controls. OFAS submitted the report on December 29, 2009, and found the system of accounting and administrative controls at CalPERS in effect as of the review period, taken as a whole, were sufficient to meet the objectives of FISMA. The evaluation of CalPERS compliance with FISMA did not reveal any material inadequacy or material weakness in CalPERS internal accounting and administrative controls.

### **CDOP**

- CalPERS conducts a bi-annual language survey, consistent with the requirements of the Dymally-Allatorre Bilingual Services Act (GC sections 7290-7299.8). The language survey is distributed to all staff who interact with the public in person, on the phone, or in writing. The survey reveals the total number of public contacts made in English and/or other languages for the fiscal year. CDOP submitted the report to SPB in October 2010.

- CDOP distributed the Language Identification Guide, one of the bilingual resources available from the SPB, to public contact staff. This poster assists staff in providing equal access and levels of service to limited- and non-English speaking members and the public. The poster lists 36 different languages and allows a person to point to the language he or she speaks. To further serve the individual, staff can contact an interpreter by using the Language Fluency List which contains bilingual employees fluent in 30 different languages. The Language Fluency List is accessible on the CDOP's home page on the *Insider*, [http://insider.calpers.ca.gov/cdop/library/bi-lingual\\_language-fluency-list.pdf](http://insider.calpers.ca.gov/cdop/library/bi-lingual_language-fluency-list.pdf).
- CDOP has an internal complaint process where employees can report alleged discrimination and harassment. Employees have additional protection against retaliation through complaint processes with SPB, the DFEH, and the federal EEOC.

### **Enterprise Privacy and Security Office (EPSO)**

The Enterprise Privacy and Security Office (EPSO) play an important role in furthering compliance for CalPERS. The activities of the Information Security Office (ISOF), which operates under EPSO's authority, comprise a significant part of these activities. ISOF's mission is: "...to advance both the protection of CalPERS members' privacy and the safety of CalPERS information assets. ISOF will fulfill this mission by working closely with CalPERS program areas to incorporate member privacy and information safety into all CalPERS operations."

The significant ongoing activities that support this mission include:

- Monitoring compliance with CalPERS Information Security Policy and relevant information security laws, regulations, and best practices. Variances are documented and risks are mitigated.
- Supporting LEGO for compliance with legal issues related to the preservation and production of electronic records.
- Investigating security events and reporting those that are security incidents to the proper authorities in compliance with the California State Administrative Manual (SAM) section 5350.
- Ensuring compliance, as defined in California policy (SAM section 5325) and other regulations, that requires all staff to complete an online security and confidentiality training course each year.
- Continuously monitoring all Internet access from CalPERS staff and contractors. Accessing to Internet sites that are incompatible with CalPERS business interests are not allowed.
- Working with Data Owners to enable compliance with California policy (SAM section 5320) that requires all data assets to be identified and classified. ISOF also maintains an inventory of these assets to validate compliance.
- Conducting information security risk assessments every two years to comply with State policy governing risk management and privacy requirements as defined in SAM section 5305.2, GC section 11019.9, and the Information Practices Act (Civil Code section 1798 et seq.)
- Annually submit the Agency Risk Management and Privacy Program Compliance Certification (SIMM 70C) to the California Office of Information Security.
- Annually submit the Agency Telework and Remote Access Security Compliance Certification (SIMM 70E) to the California Office of Information Security.

### **Operations Support Services Division (OSSD)**

- The Operations Support Services Division (OSSD) conducts Business Continuity Planning on an annual basis. As part of this process, CalPERS maintains a detailed enterprise-wide plan to help ensure critical business operations continue to function in the event of a disaster. Each Division has the responsibility to accurately describe, maintain, and annually update the Division's functions. Consistent with best practices and State and federal guidelines, the CalPERS Business Continuity Plan is reviewed annually and has Senior Management approval. The plan addresses data back-up and recovery, the performance of critical business functions, emergency communications with employees and members, and the activation of an Emergency Operations Center.
- OSSD administers and conducts the Board elections for the six elected members of the Board who represent the active and retired members of CalPERS. There is a four-year election cycle: the first year the two Member-at-Large Board member representatives are elected from the total active and retired membership; the second year the Public Agency, State, and School Board member representatives are elected from the active membership of their respective employer groups; the third year the Retired Board member representative is elected from the retired membership; and there is no election during the fourth year. The Board is obligated under Public Employees' Retirement Law (PERL) GC section 20090(g), to supervise the election of these six members of the total 13-member Board. The Board has developed various election procedures, codified in the California Code of Regulations (CCR), Title 2, sections 554 - 554.10, to conduct the elections. Per section 20096, CalPERS Board election results must be certified by the Secretary of State. CalPERS Board elections are notified to the membership through the Notice of Election, the *CalPERS On-Line* website, and various CalPERS publications.

#### **Office of Governmental Affairs (GOVA)**

- Commencing with each legislative session, Office of Governmental Affairs (GOVA) meets with all new Legislators and those existing Legislators and staff assigned to key policy and fiscal committees affecting CalPERS. During these “meet and greets,” staff provide information outlining the economic impact of CalPERS benefits and investments in the districts the Legislators represent. These meetings help to educate the Legislature and to enhance the overall awareness of CalPERS operations and its contributions to the community at large, including information detailing the economic impact of CalPERS benefits and investments in the districts they represent.
- GOVA partners with Investment Office (INVO) staff annually to present a workshop for emerging managers and investment professionals from diverse communities that provides information on investment management opportunities with CalPERS and networking opportunities with INVO staff and investment partners. The event is typically co-sponsored by CalSTRS, the Asian Pacific Islander Legislative Caucus, the Latino Legislative Caucus, the Legislative Black Caucus, the Legislative LGBT Caucus, and the Legislative Women’s Caucus.
- GOVA continues to manage the collection process for all CalPERS legislatively mandated reports to help ensure that CalPERS consistently and effectively satisfies its reporting requirements.
- GOVA continues to identify and report to the CalPERS Board of Administration on registered lobbyists who appear before the Board or communicate with CalPERS staff. This process helps to ensure the Board’s awareness of any potential conflicts of interest, and to assist them in avoiding any conflicts.

#### **CalPERS Strategic Management Services Division (SMSD)**

The Strategic Management Services Division (SMSD) continues to provide oversight and management reporting on the CalPERS Business Plan. Proactive management is needed to help ensure CalPERS achieves the Board-approved goals, objectives, and initiatives included in the Business Plan. SMSD staff maintains ongoing communication with plan objective owners to validate progress and status of the various business plan objectives, and help develop any mitigation or remedial efforts needed to address objectives that may be at risk for not meeting milestones. SMSD also completes two semi-annual status updates to the Finance Committee to assist the Board of Administration in meeting its fiduciary responsibilities related to enterprise strategy and direction setting.

## Internal Communications, Education and Training

As required in the U.S. Federal Sentencing Guidelines, ECOM's compliance program includes a training component to help ensure employees are aware of their legal and ethical responsibility to be compliant with applicable laws and rules for each business line. CalPERS demonstrates a commitment to compliance by joining with business lines to communicate compliance standards and procedures to all employees, and to inform employees on compliance issues. The following training was provided in 2010:

### **Ethics Training**

This course was developed based on recommendations in the joint report titled *Assessment of CalPERS Ethical Culture*, released by LEGO and OFAS in November 2001. To comply with the recommendations of this report and in an ongoing effort to maintain and promote an ethical culture, CalPERS General Counsel and Legal staff conducted ethics training for INVO staff, designated key staff, and Board members. Current CalPERS ethics training exceeds the minimum requirements of the Political Reform Act and it is a best practice to make ethics awareness training broadly available to all employees. As of December 31, 2010, 168 of the 584 designated employees have completed the required ethics training. An additional 37 designated employees are new hires and are within the six-month grace period for completion of this requirement. Additionally, CalPERS has established online ethics training, which satisfies this requirement and provides employees with the opportunity to refresh their knowledge of the organization's ethical framework on an as-needed basis. Supervisors will be notified of their staff's compliance status in regard to this requirement.

### **Enterprise Compliance Training**

The U.S. Federal Sentencing Guidelines emphasize that an organization should take reasonable steps to communicate, periodically and in a practical manner, its standards, procedures, and aspects of its compliance program. ECOM's efforts to train staff on the importance of compliance are continuous and can be seen in various multimedia and physical locations. Training is available on the ECOM and LEGO Web pages, via videoconference, and on-site in Sacramento and CalPERS Regional Offices. Publications provided in the training are also available to staff upon request.

### **Compliance and Ethics: Everyone's Responsibility**

The training content for the course titled "*Compliance and Ethics: Everyone's Responsibility*" was created in response to a joint report prepared by LEGO and OFAS entitled *Assessment of CalPERS Ethical Culture*. ECOM created the course content, materials, and publications based on the report's recommendations. This year, ECOM provided Compliance and Ethics training during the Leadership Essentials and Direction for Your Emerging Role (L.E.A.D.E.R.) training for new managers and supervisors and New Employee Orientation (NEO). ECOM revised the Working Values Handbook and course materials for these trainings.

### **AB 1825 Sexual Harassment Prevention (SHP) Training**

In 2010, HRSD delivered the web-based Sexual Harassment Prevention (SHP) training to 29 newly appointed managers and supervisors. This training fulfills the mandate set forth in GC section 12950.1, which was established by AB 1825 (Ch. 933, Stats. 2004).

The CalPERS policy extends to training all employees. Therefore, 289 non-supervisory employees also completed the web-based training.

In addition, the CalPERS Equal Employment Opportunity (EEO) Officer provides program overviews and policy information in the NEO and L.E.A.D.E.R. orientation training classes.

### **Information Security Awareness Training**

EPSO has several methods and channels to communicate and educate CalPERS staff on information security topics. These include:

- Online Information Security Awareness Training delivered electronically via the CalPERS Learning Management System (LMS). All CalPERS staff are required to complete this training annually.
- Information security training provided directly by ISOF staff for new supervisors and managers attending CalPERS L.E.A.D.E.R. training. The information security component of the L.E.A.D.E.R. training is ½ day and occurs twice each year as part of the L.E.A.D.E.R. training.
- Information security training provided directly by ISOF staff for new CalPERS employees attending a NEO.
- The ISOF website on the CalPERS *Insider* that contains reference material (Policy, Practices, Forms, etc) and actively updated material (Data Owners, Data Classifications, etc.)
- Information security advisories and tips that are emailed to staff on a regular basis.
- Presentations on information security topics at the request of other CalPERS groups.

### **HIPAA Training**

All CalPERS staff (including consultants and student assistants) are required to complete the HIPAA training on an annual basis in compliance with federal regulations. A web-based HIPAA training course was launched in July 2010, via the LMS. The LMS auto-generates the course enrollment on the profiles of new staff to ensure compliance. Existing CalPERS staff will be automatically enrolled at the beginning of each fiscal year and have two months to complete their annual training requirement. The HIPAA Unit monitors staff compliance through the use of the LMS reporting features. As of December 31, 2010, 93 percent of the CalPERS staff had completed the web-based HIPAA training.

### **New Employee Orientation**

CalPERS provides a two-day NEO session that provides staff with an overview of the State and its responsibilities, employee benefits, employee rights and responsibilities, and an introduction to the CalPERS organization and culture. Classes are scheduled based on demand, on a monthly basis. 244 staff completed the NEO course in 2010.

### **New Supervisor Training**

CalPERS provides a leadership development series that includes: L.E.A.D.E.R. (mandatory 80 hours for supervisors), Maximum Results (56 hours), and Lead By Example (56 hours). In addition, CalPERS offers a four-hour New Leader Orientation to provide essential information to managers prior to enrollment in the L.E.A.D.E.R. training.

Newly appointed CalPERS managers and supervisors must complete the L.E.A.D.E.R. course to meet the requirements of GC section 19995.4, which mandates each newly appointed supervisor receive 80 hours of training, within 12 months of their appointment date. In 2010, a total of 114 managers and supervisors participated in the Leadership Series training.

### **Customer Service and Education Division (CSED) Customer Service Training Program**

The Customer Contact Center (CCC) and Regional Offices in the Customer Service and Education Division (CSED) are, most often, the first point of contact for members who seek assistance regarding retirement and health benefits. CSED provides a broad training curriculum to employees including courses specific to the varied lines of business within the program areas. New employees of CSED undergo a six-week training overview of general member benefit information, and applicable laws, rules, and regulations. After the six-week training course, CCC phone agents and Regional Office staff are separated and each group participates in additional training. The Regional Office staff begins educational focused training, and the CCC phone agents go to the Training Academy where they begin to answer live telephone calls with the assistance of a mentor.

### **ECOM website on the *Insider***

ECOM utilizes its division website to raise compliance awareness and facilitate education. ECOM's website also hosts the Annual Compliance Report, Working Values Handbook, the CalPERS Form 700 Enhanced Review Process Information Center, and a calendar of compliance-related events (e.g. training and conferences). In 2010, ECOM launched the CalPERS Ethics Helpline which includes an online tool for reporting concerns about workplace misconduct in a safe, secure, and confidential way.

### **Mandatory Training Matrix**

HRSD developed a chart that lists mandatory employee training requirements, along with relevant laws, rules, processes, and assigned ownership (see Appendix B). HRSD's website on the CalPERS *Insider* provides links to applicable employee training policies.

HRSD reports monthly on the status of several mandatory training classes. Those classes not tracked by HRSD are administered and reported on by the program area owner as indicated on the Mandatory Training Matrix.

**Employer Services Division (ERSD) Training Program**

Employer Services Division ERSD Training Unit provides a broad training curriculum to employees including courses specific to the varied lines of business enterprise-wide. The 10-week training program is offered to all ERSD employees and other CalPERS divisions upon request. As the Employer Contact Center (ERCC) staff are generally the first point of contact for employers who seek assistance for their employees regarding retirement and health benefits, this training program is essential to learning their role as an ERCC phone agent. The training consists of courses relating to compensation, membership, payroll, health and retirement benefits, CalPERS systems, and applicable laws, rules, and regulations. Upon completion of selected courses or the full 10-week training program, staff receive the training necessary to effectively perform their jobs.



## External Communications

### **Council of Compliance Officers**

In 2010, CalPERS hosted quarterly teleconferences for the Council of Compliance Officers. The teleconferences provided a valuable forum for compliance professionals in pension systems throughout the United States and internationally to exchange information about their compliance-related experiences and activities.

### **Public Pension Financial Forum**

In September 2010, CalPERS CCO was a member of the planning committee and coordinated the development of a compliance track at the Public Pension Financial Forum's (P2F2) 6th Annual Conference in St. Paul, Minnesota. The P2F2 Conference assists public pension leaders in administering public pension funds by providing an opportunity for professional growth, education, and networking.

Conference highlights included:

- Ethical Lapses and Moral Hazards, presented by Marianne M. Jennings (W.P. Carey School of Business, Arizona State University)
- Fraud 101 – Creating Awareness, presented by Larry Rosipajla (Forensic Alliance LLC)
- Risk in Investment Operations, presented by Keith Keller (Duff & Phelps)
- How Technology Can Impact Your Compliance Plan, presented by Tracey Straub (Compliance11)
- Governance Risk and Management Practices in Investment Operations, presented by Keith Keller
- Regulatory Reform – What's Happening Now?, presented by David Lui (US Bancorp)
- Employer Compliance Audit Pilot Project, presented by Leslie Nagel (Minnesota Teacher's Retirement Association), Dick DeCleene (Illinois Municipal Retirement Fund), and Mary Kay Howard (Colorado PERA)
- Enterprise Risk Management, presented by Erwin Martens (TIAA-CREF)
- Federal and State Legislative Updates, presented by Ron Snell
- Tax Update, presented by Mary Beth Braitman (Ice Miller) and David Levine (Groom Law Group)
- IRS Compliance, presented by Mary Beth Braitman and David Levine

“Achieving Success  
in Compliance”

A year of  
accomplishments  
in communication,  
cooperation, and  
best practice.



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# The Year In Review

## Office of Enterprise Compliance Accomplishments

Despite a challenging year, 2010 was a year of significant growth and success, including establishment and implementation of the CalPERS Ethics Helpline, the launch of the new Working Values training program, and the Board's approval of the Form 700 and Travel Transparency Policy.

In September of this year, the Office of Enterprise Compliance joined the newly created Office of Enterprise Risk Management and is reporting to the newly established CRO.

ECOM continued outreach and industry leadership with other pension system compliance officers, through the Council of Compliance Officers and the Public Pension Financial Forum.

In 2010, consistent with its charter and mission statement, ECOM has responded to inquiries of improper conduct and fraud via the CalPERS Ethics Helpline and created a set of helpline report escalation protocols to aid in administration. During its first three months of operation, the CalPERS Ethics Helpline received 21 complaints, which have been escalated to appropriate investigative and operational program areas for resolution. As of December 31, 2010, eight of the reports had been closed.

At the close of 2010, the Enterprise Compliance program is showing increasing maturity. At the six-year mark, the program has a staff of 14 full-time personnel performing compliance and monitoring activities of three key business lines and providing training, education, and outreach to all CalPERS staff, new employees and new supervisors. We are contributing toward "Working Values" at CalPERS and continue to demonstrate transparency, integrity, and dedication to protecting systems assets and members' benefits and investments.

Sherry Johnstone  
Chief Compliance Officer

## Investment Business Line Compliance Accomplishments

### **Compliance Systems and Documentation:**

#### OERM

- ECOM, Global Fixed Income (GFI), and HRSD partnered to refine the approval process for Blackrock Aladdin user access.
- ECOM and INVO partnered to develop procedures for monitoring the use of derivatives and developed related policies and procedures across asset classes.
- ECOM and INVO researched and reviewed available automated tools for commodity and investment compliance.
- ECOM partnered with Real Estate Asset Class staff to complete deployment of Phase 1 of the Automated Real Estate Investment System (AREIS) and begin planning and discussion for development of Phase 2.

#### INVO

- INVO developed the Investment Proposal Tracking System to manage and monitor new investment proposals.
- INVO Asset Allocation/Risk Management Unit documented procedures concerning derivatives counterparty risk.
- INVO Asset Allocation/Risk Management Unit reported on leverage as part of a quarterly risk report to the Investment Committee.
- INVO Asset Allocation/Risk Management Unit issued a Request for Proposal (RFP) for a new investment risk system.
- INVO Risk Management Unit staff co-led an effort to create an INVO risk assessment and heat map to capture investment risk, capital allocation risk, and operational risk.
- INVO established the Investment Strategy Group (ISG) to help ensure a consistent investment approval process.
- The Real Estate Unit (REU) actively partnered with ECOM to discuss the development of REU's procedures manual.
- AREIS was successfully deployed in September 2009 and continued new phase implementation in 2010.
- The AREIS Steering Committee has been appointed and this body determines the future strategic enhancements for the system.
- REU initiated the development of REU compliance procedures to help ensure the successful production of information required by other CalPERS units such as LEGO, OSSD, the Policy and Business Support Division (PBSB), and ECOM.
- Affiliate Investment Programs Division (AIPD) implemented a multi-factor authentication security feature for its participant Plan information websites.
- AIPD conducted a review and subsequently revised the affiliate funds processes to improve returns and limit operational risks.

- AIPD developed and implemented requirements for the Member Home Loan Program (MHLP) Lender and Loan Officer referral program.
- AIPD, in consultation with LEGO, developed and implemented a custom loan modification program for the MHLP.
- AIPD, in collaboration with the Fiscal Services Division (FCSD), implemented Supplemental Income Plan (SIP) invoice tracking log and procedures.
- AIPD, in consultation with LEGO, updated CalPERS Supplemental Income 457 Plan Document for Internal Revenue Service approval.
- AIPD, in consultation with LEGO, began review of CalPERS Supplemental Income 457 Plan employer adoption documentation.
- INVO developed the Investment Proposal Tracking System (IPTS) and partnered with the Office of Public Affairs (PAOF), LEGO, Information Technology Services Branch (ITSB), and ECOM to implement the tracking of disclosure of the placement agent policy for all prospective investment opportunities.
- INVO established an Operating Committee to oversee operational risk management for INVO.
- INVO Operations, Performance and Technology Division (OPTD) staff developed a RFP for custodian services to include an enhanced master custody structure. INVO selected a custodian in December 2010.

#### **Ongoing Compliance and Monitoring:**

##### **OERM**

- ECOM performed a comprehensive review of the Proxy Voting Process within Corporate Governance.
- ECOM performed a comprehensive review of the Derivative asset class and internal processes.
- ECOM completed the 3rd Annual Real Estate Compliance Review.
- ECOM completed a review of Alternative Investment Management (AIM).
- ECOM monitored corporate actions for CalPERS restricted securities.
- ECOM monitored the transition of BlackRock Aladdin Compliance Platforms to the new Compliance 2.0 Platform.
- ECOM and INVO performed ongoing monitoring of the Corporate Governance automated proxy platform and conducted periodic review of proxy voting records and trends.
- ECOM continued to monitor and report Fixed Income and Global Equity compliance violations.

##### **INVO**

- AIPD, in consultation with LEGO, revised CalPERS Supplemental Income 457 Plan “Age 50 Catch-Up Provision” and the “Three-Year Special 457(b) Catch-Up Provision,” and posted procedures on the Employer website.
- REU formally created and hired an Investment Officer III to lead governance and implement day to day compliance procedures within REU.

## **Training and Outreach**

### **INVO**

- INVO conducted the Investment Corporate Governance Working Group for Board Candidates.
- INVO Asset Allocation/Risk Management Unit held the Asset Liability Workshop with the objective of selecting a new strategic asset allocation with an acceptable level of risk to attain long term funding goals.
- REU worked with ECOM to help ensure that ECOM staff had appropriate training on AREIS to perform their oversight responsibilities.
- REU accomplished Phase 1 of AREIS Project Training and business units are using the tool as envisioned.
- REU staff and external stakeholders (ECOM, LEGO, and OSSD) attended training sessions on the initial draft of REU procedures manual and REU solicited feedback for revisions.
- AIPD, in consultation with LEGO, revised SIP education materials and forms to reflect IRS regulation updates and the implementation of two new fixed-income funds.
- AIPD provided communication and education to SIP employers and participants regarding the replacement of the Stable Value Fund with two new fixed-income fund investment options – Short-Term Investment Fund & PIMCO Short-Term Bond Fund.
- AIPD, in consultation with LEGO, provided staff and employer training on policy and procedures for the “Age 50 Catch-Up Provision” and the “Three-Year Special 457(b) Catch-Up Provision.”
- AIPD, in consultation with PAOF, updated member marketing materials identifying Secured Personal Loan risks for the MHLF.
- AIPD, in consultation with PAOF and LEGO, updated correspondent lender marketing guidelines for the MHLF.
- INVO hired a Diversity Officer to help new and emerging investment partners understand the policies and procedures in order to do business with CalPERS.
- INVO partnered with CalSTRS on an investment workshop, “How to do Business with CalPERS and CalSTRS.”

## **Legislation and Regulations:**

### **INVO**

- AIPD, in collaboration with LEGO, proposed amendments to provide a survivor benefit through the State Peace Officers and Firefighters Supplemental Plan. The proposed language was enacted as part of SB 1139 (Chap. 639, Stats. 2010), with an effective date of January 1, 2011.
- AIPD proposed revised MHLF regulations, to modify the loan term, re-underwrite the loans, and clarify program details.
- INVO partnered with GOVA, ECOM, LEGO, and PAOF in drafting placement agent legislation (AB 1743).

## Health Business Line Compliance Accomplishments

### **Compliance Systems and Documentation:**

#### OERM

- ECOM continued to research tools and best practices to monitor and report on compliance activities in the health business line.
- ECOM continued to work with the Health Benefits Branch (HBB) to identify and prioritize processes that require compliance monitoring.

#### HBB

- CalPERS Division of Operations and Infrastructure Support (DOIS), Administrative Services Unit (ASU), created a new electronic invoicing process for use by HBB staff.
- DOIS, HIPAA Administration, updated the Business Associate Agreement to include new provisions of the American Recovery and Reinvestment Act (ARRA), Health Information Technology for Economic and Clinical Health Act (HITECH).
- Office of Employer and Member Health Services (EMHS) achieved a 70 percent reduction of delinquent health program receivables, working in cooperation with FCSD and LEGO.
- Consistent with GC section 22751(a), EMHS successfully broadcast the “CalPERS 2011 Health Plan Rate and Benefit Changes” regional seminar via the Internet on July 30, 2010, which was viewed live by more than 400 employers. The event, in keeping with CalPERS fiduciary responsibility, helped CalPERS and employers reduce costs and environmental impacts and eliminate travel expenses.
- As part of CalPERS fiduciary responsibilities under GC section 22751(b), EMHS added 25 new agencies with 84 employee groups and 47 new employee groups from 23 existing agencies to the program. The program enrolled over 32,000 new Total Covered Lives (TCLs) into CalPERS health benefits in 2010, a 65 percent increase over 2009. Agency retention was 99 percent for the year, with only four agencies, and five employee groups from current contracting agencies, electing to cancel their CalPERS health contracts as of January 1, 2011.
- Office of Health Plan Administration (OHPA), Medical and Pharmacy Administration staff developed CPT-4 and diagnostic coding list for basic health plan preventive services for conformance and health care reform regulations, consistent with 45 CFR 147.130.
- OHPA, Long-Term Care Program (LTCP) staff enhanced contracting provisions by adding clarity and specific requirements in the two-year contract extension with the LTCP Administrator.
- OHPA, LTCP enhanced contractual oversight of the LTCP by updating the contractual provisions and initial steps to add actuarial and underwriting staff.
- OHPA and LTCP staff have begun work to perform an RFP for a new LTC third party administrator contract beginning January 1, 2013.

### **Ongoing Compliance and Monitoring:**

#### **OERM**

- ECOM continued to identify applicable laws, rules, regulations, and policies that apply to the health business line, and will work with HBB staff to identify compliance needs.

#### **HBB**

- DOIS, HIPAA Administration in conjunction with the Office of Health Policy and Program Support (HPPS)' Management Information Services (MIS), completed a gap analysis to determine the impact to CalPERS and develop an implementation process transition from current health data transfer standards (ANSI 4010) to the upcoming, federally mandated upgrade to the ANSI 5010 standards.
- EMHS mailed Notices of Creditable Coverage to over 20,000 members, consistent with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).
- EMHS resolved 500 Kaiser surcharge discrepancies, improving CalPERS compliance with Public Employees' Medical and Hospital Care Act (PEMHCA) enrollment requirements, and resulting in a cost savings of over \$28 million.
- EMHS implemented enhanced retiree outreach and education which resulted in over 4,000 Medicare Part B income-related reimbursement requests.
- EMHS leveraged the Open Enrollment Health Plan Statement to successfully migrate over 2,500 members from an out of service area to an available health plan, consistent with CCR section 1300.51.
- OHPA, LTCP staff developed more effective fraud management and refined claims processes for the LTCP.
- OHPA, LTCP added long-term care legal staff and initial steps to add actuarial and underwriting staff to improve long-term care plan performance and oversight.

### **Training and Outreach:**

#### **OERM**

- ECOM engaged in enhanced outreach efforts to provide HBB staff with improved compliance-related tools, resources, and assistance.
- ECOM staff attended training to learn "best practices" and compliance tools.
- ECOM continued to provide education and outreach through compliance and ethics training for HBB staff.

#### **HBB**

- DOIS, HIPAA Administration established a mandatory web-based HIPAA training module. The module was distributed to all CalPERS staff via the CalPERS LMS.
- DOIS, Legislative Service Unit (LSU) established a new Regulations Process for the Branch.
- EMHS updated and revitalized the Health Program Business Rules Manual, which is used in the technical training classes for EMHS staff, ensuring CalPERS remains compliant with the PEMHCA.
- EMHS developed and delivered a compliance presentation on the CalPERS Health Program Eligibility and Enrollment Business Rules to public agency Health Benefits Officers (HBOs) at the CalPERS Employer Education Forum.



- EMHS planned and executed a communication plan containing open enrollment information to 1.3 million members and over 1,400 employers, consistent with CalPERS guiding principles to provide meaningful information and education to all system constituents in a timely manner.
- EMHS notified over 50,000 qualified beneficiaries, ensuring compliance with the American Recovery and Reinvestment Act (ARRA) of 2009.
- EMHS implemented the communication and transition of 112,000 members into two newly created health plan regions, consistent with Board direction and Knox-Keene Act requirements regarding health plan service areas.

### **Legislation and Regulations:**

#### **HBB**

- DOIS, LSU improved customer service to internal and external stakeholders by implementing four new internal legislative processes while responding to more than 150 legislative-related information requests. The number increased due to National Health Care Reform.
- DOIS, LSU researched cost impacts on legislation identified by health plans that affect CalPERS rate negotiations.

### **National Health Care Reform:**

- HBB established a formal Health Care Reform Implementation (HCRI) project team to track compliance with the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act. The HCRI project team is comprised of representatives enterprise-wide, including DOIS, EMHS, HPPS, OHPA, the External Affairs Branch (EXAB), ITSB, Pension System Resumption Project (PSR), Member and Benefit Services Branch (MBSB), FCSD, GOVA, LEGO, and ECOM.

#### **Outreach and Education**

- In order to educate both members and employers, and help ensure employer compliance with the new law, HPPS and OHPA staff developed a National Health Care Reform Landing page with facts and Frequently Asked Questions (FAQs) to inform our members and employers on national health care reform provisions.
- HPPS and OHPA staff helped develop a Health Care Reform workshop for the July 2010 Board Offsite.
- HPPS and OHPA staff presented a Health Care Reform briefing at the Employer Education Forum in October 2010.
- HPPS, along with OHPA and the HCRI project team workgroup, developed a provision tracking matrix, project charter and project organization chart to track compliance of federal health care reform, laws, and regulations.
- HPPS staff continues to provide educational articles on national health care reform for inclusion in publications such as *Employer News* and *PERSpective*.

#### Extension of Dependent Coverage Up to Age 26 (Section 2714)

- HPPS staff took the lead in planning, coordinating, developing, and presenting to the CalPERS Board specific alternatives and associated impact assessments related to the implementation of Extension of Dependent Coverage.
- DOIS, LSU promulgated regulations to extend dependent coverage up to age 26, consistent with the requirements of National Health Care Reform legislation.
- DOIS, LSU drafted State conforming law.
- EMHS developed employer Circular Letters and notices on the implementation of extension of dependent coverage up to age 26 during the 2010 Open Enrollment period.
- EMHS communicated with over 620,000 subscribers regarding the ability to enroll dependents up to the age of 26 due to Health Care Reform.
- HPPS provided educational articles to members and employers in *Employer News* and *PERSpective*.
- HPPS and OHPA staff, in collaboration with impacted HBB divisions, ITSB, PSR Project, MBSB, FCSD, GOVA, and LEGO, successfully implemented the Extension of Dependent Coverage Up to Age 26.

#### Early Retiree Reinsurance Program (ERRP) (Section 1102)

- HPPS and OHPA coordinated with health plan partners to help ensure maximum reimbursement.
- HPPS staff successfully submitted and received approval to participate in the Early Retiree Reinsurance Program (ERRP), a temporary reinsurance program that reimburses participating employment-based plans 80 percent of the cost of benefits provided to retirees, age 55 or older, and their families, in excess of \$15,000 and below \$90,000.
- DOIS and HPPS drafted Budget Trailer Bill language and developed Interagency Agreement to obtain dependent Social Security numbers from the Franchise Tax Board for ERRP reimbursement.
- EMHS included in Open Enrollment materials CalPERS participation in the ERRP, per federal regulation.

#### Lifetime and Annual Limits (Section 2711)

- HPPS and OHPA staff worked with health plan partners to help ensure that all CalPERS health plans will eliminate in 2011 lifetime limits consistent with the requirements of National Health Care Reform legislation.
- HPPS and OHPA staff removed annual dollar limits in 2011 and instead established limits on the number of visits per year, based on medical necessity.
- OHPA staff added language to Evidence of Coverage (EOC) booklets regarding lifetime/annual limit benefit design changes.

#### Preventive Services (Section 2713)

- OHPA and HPPS staff implemented zero co-pays for preventive services, per federal regulation.
- OHPA, Medical and Pharmacy Administration implemented Medicare preventive services program in conformance with health care reform (42 CFR 410.15).

#### Accountable Care Organizations

- OHPA, Health Care Contracts, Operations, and Fiscal Management staff evaluated Blue Shield of California's Accountable Care Organization Pilot, an integrated model of health care delivery in which the health plan, hospital, and medical group incentives were aligned with the goal to drive continuous improvement in cost, quality, and service, consistent with federal health care reform efforts.

#### Ongoing Implementation Efforts

- HPPS and OHPA also requested guidance from the U.S. Department of Health and Human Services (HHS) to clarify implementing interim final regulations in the following areas:
  - Annual Limits – definition of “essential health benefits”
  - Rescissions – ability for employers to make retroactive changes to health plan coverage
  - Preventive Services – CalPERS value-based plan design for colorectal cancer screenings and cost-sharing for over-the-counter medications

## Pension Business Line Compliance Accomplishments

### **Compliance Systems and Documentation:**

#### OERM

- ECOM created monitoring and reporting tools for pension and retirement compliance.

#### Actuarial and Employer Services Branch (AESB)

- The Actuarial Office (ACTO) completed the revision or development of approximately 40 policies and procedures.
- ACTO implemented the Board-approved modification to the rate stabilization plan for the next three years.
- ACTO implemented new demographic actuarial assumptions adopted by the Board.
- Employer Services Division (ERSD) coordinated and published the 2010 Public Agency Procedures Manual as a “web only” publication, which resulted in considerable environmental and cost efficiencies.
- ERSD completed documentation of more than 50 policies and procedures, including enhancements to compliance relating to legislation, communication to contracting agencies, verification of missing payroll letters and contributions, reporting of emergency retirements, and processing of employer reviews.
- ERSD, in furtherance of CalPERS responsibility as the State Social Security administrator, established a dedicated Social Security Unit to facilitate providing information and outreach to public agencies that have State Section 218 Agreements for Social Security, and to help ensure compliance with applicable laws and rules.
- ERSD implemented a process to identify and escalate high compensation or large increases in compensation used for retirement calculations.
- ERSD Training Unit, in collaboration with CSED, participated in the Knowledge Management System project, which resulted in the development of 37 subjects and 218 subcategories in myinfo to provide division staff with on-demand access to business processes and rules.
- ERSD published 306 employer web updates.

#### MBSB

- MBSB participated in the design and testing of automated systems to help ensure compliance with laws, rules, and regulations.
- MBSB implemented new actuarial assumptions and retirement option factors for service credit purchases, retirement estimates, and benefit calculations, consistent with Board direction and CalPERS fiduciary obligations.
- MBSB developed and implemented procedures to mitigate security risks associated with confidential faxes and the e-mail capabilities of copier-scanners.
- Benefit Services Division (BNSD) improved the security of retiree information by increasing the number of Direct Authorization Carriers that use Secure File Transfer Protocol (SFTP) as a method to transmit warrant deduction information to CalPERS electronically.
- CSED updated its security practices by:
  - Formalizing security breach reporting processes and procedures.
  - Providing monthly security updates to the MBSB Assistant Executive Officer.
  - Establishing links from its Intranet page to CalPERS Member Service Division (MBSD)'s Security webpage to mitigate security risks and provide critical ISOF procedures and breach of security policy.
- CSED established procedures to improve the member identity verification process at CalPERS regional offices.

### **Ongoing Compliance and Monitoring:**

#### **AESB**

- ACTO awarded a new contract for independent reviews of the actuarial valuation annual results. The audit of the public agencies was completed in July 2010 and the audit report was approved by the Board on August 17, 2010.
- Constituent Relations Office (CORE) coordinated the efforts of California Employers' Retiree Benefit Trust (CERBT), ACTO, FCSD, and OFAS to implement Governmental Accounting Standards Board (GASB) 57 one year earlier than required by the standard. GASB 57 added and altered requirements of GASB 43.
- ERSD worked with ISOF, ITSB, and other owners to review, educate staff, and obtain appropriate sign-offs prior to releasing any CalPERS confidential or sensitive information to external entities.
- ERSD monitored quality pursuant to its Quality Assurance Improvement Plan.
- ERSD continued to administer the agreements between the Social Security Administration and CalPERS state and contracting agencies, governing voluntary Social Security and Medicare coverage by State and local government employers.
- ERSD continued to work with ISOF to help ensure compliance and awareness of CalPERS Information Security Practices.
- ERSD implemented faxing guidelines to help ensure information security.
- AESB worked with the building management to install a card reader for the filing room containing confidential employer files, ensuring after-hours security.
- ERSD Employer Contact Center continued to monitor and evaluate the quality and accuracy of information provided by the Employer Contact Center staff to its customers by utilizing the internal escalation, Quality Assurance Process and the Contact Center Employer Survey.
- The ERSD Policy, Procedure and Compliance Unit continued to coordinate improved documentation of policies and procedures, regulations, legislative analysis and implementation, resolution of internal and external audits, information security, and other compliance-related duties.
- ERSD improved employer compliance through monitoring over 116 Employer Reviews during the 2009-10 Fiscal Year (FY). As a result of continued monitoring and closing, 53 employers became compliant with more than 312 findings.<sup>1</sup>
- ERSD completed 15 employer reviews that had been referred to the Escalation Manager due to ongoing Employer non-compliance issues.
- ERSD in collaboration with BNSD and MBSD established a work group to identify payroll reporting compliance issues.
- ERSD established an ongoing review, reconciliation, and follow-up process of employer delinquency collections.

<sup>1</sup>Unlike other figures in this report, these numbers are based on a fiscal year calendar.

#### MBSB

- MBSB continued to review its existing procedures to help ensure they reflect legal, regulatory, policy, and system changes.
- MBSB monitored quality pursuant to their various Quality Assurance Improvement Plans.
- MBSB continued to work with ISOF to help ensure compliance and awareness of CalPERS Information Security Practices.
- MBSB continued to review the Retirement Program Directives (policies) for possible updates and changes.
- MBSB helped ensure that vendors and consultants complied with CalPERS security requirements.
- MBSB continued to work with ISOF, ITSB, and other data owners to review, educate, and obtain appropriate sign-offs prior to releasing any CalPERS confidential or sensitive information to external entities.
- BNSD developed and implemented procedures to enhance the Quality Assurance Program for disability retirement.
- CSED's Quality Assurance Program led to improved member identity verification of over 99 percent, ensuring increased compliance with legal, policy, and procedural information security requirements.
- The MBSD Legislation, Policy, and Compliance Unit continued to coordinate improved documentation of policies and procedures, regulations, legislative analysis and implementation, information security, and other compliance-related duties.

#### **Training and Outreach:**

##### OERM

- ECOM engaged in enhanced outreach efforts to provide MBSB staff with improved compliance-related tools, resources, and assistance.
- ECOM continued to work with the pension business line to assess risk of noncompliance with policies, rules, and regulations and determine compliance exposures.

##### AESB

- ACTO ensured that all actuaries attended the necessary conference(s), training, and seminars required to maintain their professional accreditations.
- ERSD continued to send email reminders to staff to increase compliance awareness on such topics as Information Security, Ethics Training, policy and procedure review dates. ERSD also sent individual reminders to managers on topics including probationary and annual performance review dates and emergency contact information updates, to help ensure compliance with CalPERS personnel policies.
- ERSD collaborated with MBSD, BNSD, FCSD, and LEGO to process and enroll approximately 840 individuals into CalPERS membership as a result of several settlement agreements.
- ERSD Training Unit continued to offer an extensive in-house training program that delivers broad pension, health, and systems training to new hires and existing staff. The training program enables staff, from the first inquiry, to successfully deliver services, education and information, consistently and accurately, with a high level of information security awareness and diligence.

- ERSD continuously monitored and maintained 86 online classes which provided online education to more than 3,588 employer representatives via the CalPERS Education Center (CEC) to help ensure employer compliance with CalPERS laws and business rules.
- ERSD continued implementation of the external employer training strategy to help ensure employers have the tools, training, and support they need to conduct business with CalPERS.
- ERSD educated more than 1,245 state, school, and public agency employer representatives throughout California on CalPERS laws and rules related to contracts, compensation, membership, payroll, and ACES, which resulted in the reduction of employer errors and inquiries, and improved the accuracy of members' benefits.
- ERSD managed the content and formatting of information gathered from AESB, MBSB, HBB, and INVO, and with assistance from PAOF and OSSD to distributed over 28,000 copies of timely, relevant, and educational materials through the *Employer News* publication.
- ERSD, in coordination with MBSD, BNSD, EMHS, Public Employers Readiness Team (PERT), and FCSD, with assistance from PAOF and OSSD, issued over 25 Circular Letters and sent 71 Employer eBulletins by mass mail advising employers of policy or procedural changes and information relating to retirement, benefits, and related issues.

#### MBSB

- MBSB staff received job skills training on a wide variety of subjects in order to improve compliance with laws, regulations, and policies governing these program areas:
  - BNSD staff received training on retirement benefit calculations and adjustments, disability retirement, and death benefit adjustments.
  - CSED staff received training including Open Enrollment, Cost of Living Adjustment (COLA), First of Year legislation/program updates, and New Hire Training.
  - MBSD staff received training in areas including Service Credit Foundation, Additional Retirement Service Credit (ARSC), Re-deposits, MBSD 101, Executive Correspondence, Business Letters, Administrative Remedies, and Annual Member Statements.
- MBSB staff delivered training to member and employer groups and other external partners, pursuant to GC section 20138(b):
  - BNSD delivered training on retirement, working after retirement, reinstatement from retirement, reciprocity, and disability retirement process requirements.
  - CSED, through instructor-led and online retirement classes, delivered over 5,500 hours of training to members and employers on retirement planning, service credit purchases, retirement estimates, disability retirement, and death benefits.
  - CalPERS Office of the Judges' and Legislators' Retirement Systems (JLRS) gave an employer-specific retirement presentation to the Administrative Office of the Courts (AOC) on the statutory provisions and requirements of Judges' Retirement System (JRS I and II).
  - JLRS met with critical high-level staff from the AOC to discuss roles and responsibilities of each agency in the processing of retirement benefits for members of JRS I and JRS II.
- BNSD revised retirement publications to help ensure compliance with laws, regulations, and system disclosure policy.



- CSED expanded its contact center annual training assessment to include regional office staff. The assessment helps ensure accurate information is provided to CalPERS members, consistent with laws, policies, and procedures.
- CSED expanded communication channels for member education and outreach through adoption of webcast, webinar, and webcam technologies.
- MBSD placed reminders at all copiers and printers for staff to collect their documents before leaving the equipment in an effort to prevent security breaches.
- MBSD's Staff Development Unit augmented the enterprise training and procedures governance standards and templates developed by the Training Advisory Group (TAG).

### **Legislation and Regulations:**

#### **AESB**

- ERSD completed over 197 implementation tasks related to legislation, including but not limited to the development and distribution of Circular Letters to impacted employers, and working with various control agencies as well as contracting agencies to help ensure reporting of payroll, contributions, and compensation issues is handled in compliance with the PERL.
- ERSD, along with the legislature and other advocacy groups, provided technical assistance and analysis of potential legislative changes to address the issue of local official governance and transparency.
- ERSD established a regulations committee to review and amend regulations as well as develop regulations to clarify areas of the law.
- ERSD implemented AB 86 (Chap. 79, Stats. 2009), which authorizes contracting agencies to include specified airport law enforcement officers within the local safety member classification.
- ERSD implemented AB 637 (Chap. 118, Stats. 2009), which authorizes the Board to charge interest on the amount of any payment due and unpaid by a contracting agency until payment is received.
- ERSD implemented AB 966 (Chap. 130, Stats. 2009), which clarifies the language defining final compensation for members of specified bargaining units to make it clear that these provisions apply to members hired for the first time after January 1, 2007. It also clarifies that the final compensation period is 12 consecutive months for optional National Guard members.
- ERSD submitted a legislative proposal to clarify the term pay rate and to help ensure that special compensation is reported to CalPERS separate from pay rate. Also, the proposed bill allows the Board the ability to assess penalties if an employer is not in compliance with standard reporting rules.

#### MBSB

- BNSD implemented AB 399 (Chap. 370, Stats. 2008), which allows CalPERS to distribute the accumulated contributions of inactive members who have attained age 70. This avoids the potential consequence of a member incurring a penalty from the Internal Revenue Service if funds are not distributed by age 70 ½ as required by federal minimum distribution rules.
- BNSD implemented AB 966 (Chap. 130, Stats. 2009), which, in pertinent part:
  - Expands the statute of limitations to 10 years for fraud due to unreported payee deaths or unreported marriage of an entitled child.
  - Allows a retirement effective date for non-members that is earlier than the first day of the month in which the non-member's application is received by CalPERS, if the application is received within nine months of the requested effective date.
  - Helps ensure that the benefits paid out to a member will never exceed the Internal Revenue Code section 415 limits, irrespective of other regulations regarding the payment of COLAs.
- MBSB initiated legislative proposal AB 1856 (Chap. 197, Stats. 2009), which allows CalPERS to cancel or suspend service credit purchase payments.
- JLRS implemented the Voluntary Salary Waiver (VSW) Program for Judges, which was mandated by SB 13 (Chap. 22, Stats. 2009) and AB 399 (Chap. 240, Stats. 2009). System changes were made to develop a new interim payroll process for judges enrolled in this program.

## Enterprise Business Line Compliance Accomplishments

### Compliance Systems and Documentation:

#### OERM

- ECOM established the CalPERS Ethics Helpline, to allow anonymous reporting of improper, inappropriate, or fraudulent activities.
- ECOM conducted compliance investigations in response to allegations of fraud or improper activities.
- ECOM established and implemented a process to ensure that key personnel exits are conducted to protect CalPERS information and assets.
- ECOM conducted 10 Board Briefings on matters related to compliance and ethics.
- ECOM assisted Enterprise efforts to identify all security and privacy activities that may impact the security and confidentiality of CalPERS physical, informational, or financial assets.
- ECOM researched and modeled “best practices” and tools in compliance for related lines of business.
- EPSO enhanced the Data Classification process to enable Data Owners to identify, add, and classify data assets continuously throughout the year. This enhancement will provide a more accurate inventory of information assets.
- EPSO developed standard contract language to specify information security requirements that were incorporated in the CalPERS standard model contracts for their acceptance and compliance.
- EPSO guided the production of over two trillion characters (2TB) of electronic data to comply with CalPERS record preservation and production responsibilities.
- EPSO assisted in the implementation of an automated tool (Guardium) that monitors access to CalPERS production-like data in the PSR test environment.

#### Administrative Services Branch (ASB)

- FCSD continued to lead the CalPERS Financial Reporting Committee to enhance the narratives included in the Comprehensive Annual Financial Report (CAFR) and address three new GASB pronouncements implemented in FY 2009-10.
- HRSD established a governance structure to help ensure the integrity of the HRSD Website which includes:
  - Website Guidelines and Content Management Policies and Procedures that define content owner roles and responsibilities for managing web page content, and web page style, presentation and posting requirements.
  - An Annual Calendar of Cyclical Web Postings to support content owner efforts to proactively address customer needs for Human Resource (HR) information.
  - An Editorial Board responsible for oversight and maintenance of HRSD website information, products, policies, and procedures that are up-to-date and consistent with the website guidelines.
- HRSD updated the CalPERS Mandatory Training Matrix to reflect changes in law, regulation, and policy.

- HRSD processed 840 Form 700 Annual Statements of Economic Interest, consistent with FPPC regulations.
- HRSD supported ECOM staff in completing Form 700 Enhanced Reviews.
- HRSD centralized and reorganized employee medical management files to help ensure quick access to all medical information with an emphasis on physical file security.
- HRSD created the CalPERS Performance Management Guide as a resource for managers and supervisors to reinforce their knowledge, understanding, and appropriate application of the State's disciplinary process.
- HRSD secured the Official Personnel Folders to limit access to assigned HR staff only.
- HRSD increased security by adding locks to the exam and application drop boxes at the HRSD front counter.
- HRSD physically reconfigured the Exam Unit work space to provide a more secure working environment and limit access of non-Exam Unit staff.
- OSSD implemented new building safety and security measures to help ensure the highest level of safety and security for staff, facility, members, and visitors throughout the Lincoln Plaza complex.
- OSSD limited stairwell access and required badge card access to the upper floors in the Lincoln Plaza North, East, and West buildings to permit only authorized staff stairway access to these floors.
- OSSD closed the loading docks to all pedestrian traffic to maintain safety and security around the loading dock areas.
- OSSD developed and implemented the Building Badge Card Policy requiring all employees, students, contractors, and consultants wear and display their badge card at all times to help ensure employee security within the office space and around the complex.
- OSSD assisted in the development of an RFP and subsequent contract award for the new CalPERS Ethics Helpline.
- OSSD procured a Print Integrity System that will help ensure the security of confidential member information while eliminating breaches of outgoing mail.
- OSSD, in collaboration with ITSB, implemented procedures to help ensure CalPERS has an accurate inventory count of laptops and the encryption software is installed on the laptops.

#### CDOP

- CDOP, in partnership with OSSD, oversaw the Americans with Disabilities Act (ADA) Compliance Survey of the three CalPERS buildings in Sacramento to comply with California Fair Employment and Housing Act (FEHA) and ADA requirements.
- CalPERS Business Connection (CBC), in accordance with SB 548 (Chap. 595, Stats. 2009), collaborated with OSSD in developing procedures to help ensure that contractors do not list Disabled Veteran Business Enterprise (DVBE) contractors for the purpose of meeting a solicitation requirement and then in turn not use that DVBE.
- CBC, as required by Public Contract Code 10111, completed the Annual and Mid-Year Small Business (SB) and DVBE Contract Participation Reports. For FY 2009-10, CalPERS reported an SB participation level of 11.69 percent, and a DVBE participation level of 2.40 percent.
- CDOP produced the 2010-11 Workforce Analysis Report pursuant to GC sections 19795 and 19797 for SPB.

- CDOP established the Enterprise Diversity and Inclusion (D&I) Strategic Planning Committee to develop an Enterprise D&I Strategic Plan.
- CDOP presented an issue paper and made recommendations regarding the use of teletypewriter or TTY communication assistance technology that have been adopted within the enterprise.
- CBC developed procedures to comply with the mandated annual report to the Department of General Services on contracts with SBs and DVBES.
- CBC partnered with OSSD and ITSB to conduct a bidder's conference for the Self-Funded Plan (SFP) Information Technology RFP and provide network opportunities for SB and DVBE vendors, helping the enterprise meet its mandated goal of 25 percent of all contracts to SBs and 3 percent of contracts to DVBES.

#### EXAB

- GOVA provided CalPERS Form 700 filers with a list of CalPERS registered lobbyists who have appeared before the CalPERS Board of Administration or its committees, to help Form 700 filers comply with applicable reporting requirements.
- GOVA coordinated CalPERS testimony and response to two legislative oversight hearings regarding the implementation of AB 221 (Chap. 671, Stat. 2007), relating to public retirement system investments in Iran.
- GOVA led the development of comparative analyses of federal health reform legislation, including its potential impact on CalPERS, and created a library of federal health reform materials.
- PAOF, in collaboration with CDOP, established closed captioning guidelines and procedures for videos used on the Web, in DVDs, or in special live presentations, forums, or conferences, in accordance with the Americans with Disabilities Act, Title II Technical Assistance Manual, covering State and local government programs and services.
- PAOF established processes and procedures for the Engagement Unit to assist in facilitating organizational communications, projects, and campaigns, to improve staff knowledge about security policy compliance.
- PAOF began work with ITSB, PSR, and the EPSO to establish an enterprise level Web accessibility policy.

#### ITSB

- CalPERS contracted with an external firm to conduct accessibility audits of external facing Websites (CalPERS On-Line and myCalPERS) in mid-2009. During FY 09-10, Web Development & Support Services (WDSS) used these audit findings to improve compliance, including use of best practices to meet and exceed Section 508 compliance levels, while targeting Web Content Accessibility Guidelines (WCAG) 2.0 recommendations as well. Enhancements are being released incrementally as completed.
- The Data Center implemented efforts to achieve a "green" Data Center with installation of hot air aisle containments, wireless sensors for temperature monitoring, and server virtualization.
- The Data Center implemented password protection on all CalPERS Personal Digital Assistant devices to comply with the Information Security Portable Computing Device Practice.

- The Data Center worked with OSSD to implement duplex printing on identified printers in support of the CalPERS Sustainable Operations Program Policy.
- The Data Center met infrastructure monitoring requirements with implementation of monitoring tools on 95 percent of the production servers, an increase from 25 percent.
- The Data Center improved physical security access tracking to the Computer Operation room based on an agreement between Colliers and the Data Center. Vendors working in the Computer Operations room will be required to be escorted by authorized CalPERS staff in and out of the room, and be issued a special badge for the duration.
- The TAG, under the leadership of the Enterprise Transition Management (ETM) Project and working with BNSD, ERSD, HBB, CSSED, MBSD, FCSD, ITSB, HRSD, PERT, and PAOF coordinated efforts enterprise-wide to develop governance for all CalPERS learning activities and resources in support of the myCalPERS project and training efforts that are scheduled to begin in 2011. Accomplishments in 2010 included completing governance guidelines for the CalPERS myinfo knowledge repository and for the CalPERS LMS.
- IISD centralized responsibility and authority for the establishment and enforcement of Information Technology (IT) strategic plans, policies, and standards.
- IISD updated CalPERS systems to support compliance with new federal, State, and legal mandates.
- IISD wrote three Enterprise Security Risk Reports.
- ITAD updated and converted the online version of the ITSB Policy and Procedure Manual to make it more user-friendly and easier to maintain. The new manual consolidates all documents into a single online manual.
- PSR's plans for implementing Event Management logging in the new myCalPERS system are in progress. Logging will provide transaction activity records for HIPAA and other security compliance requirements. The system will be used to track online use and support the enforcement of business rules such as failed login and unauthorized access attempts.
- PSR Project-related enterprise risks, which were identified in Governance/Risk Management Initiative (GRMI) workshops, were included in the Project's risk management process. The Team has aligned its risk management with CalPERS approach to high-exposure risks. The focus for 2010 has been on the Project's Recovery Plan and overall readiness to perform plan.
- TSSD developed an Intranet Web ADA policy and recently updated internal web development guidelines to meet accessibility requirements in internal web development efforts. These requirements are being applied as various Intranet sites are updated.
- TSSD emphasized both Section 508 compliance and cross-browser functionality to vendors when customers are contracting for external Web development efforts.

#### OFAS

- OFAS assisted management in fulfilling its responsibilities under Statement of Auditing Standards (SAS) 104 through 111, particularly in the area of identifying and documenting internal controls over financial reporting by following the standards set forth by the Auditing Standards Board of the American Institute of Certified Public Accountants.
- OFAS provided advice to CalPERS management regarding compliance with GASB Statement Number 51, Accounting and Financial Reporting of Intangible Assets, and consulted with FCSD on several accounting and formal reporting issues. OFAS continues as a member of the Accounting Action Plan Steering Committee.

#### **Ongoing Compliance and Monitoring:**

##### OERM

- ECOM, in coordination with HRSD, continued to administer the Form 700 Enhanced Review Process to help ensure CalPERS staff comply with conflict-of-interest laws, regulations, and policies.
- Risk Assessment and Management Program (RAMP), administered by EPSO, completed a two-year information security risk assessment cycle as required by State policy governing risk management and privacy requirements as defined in SAM section 5305.2, GC section 11019.9, and the Information Practices Act (Civil Code section 1798 et seq.).
- ECOM conducted six new Executive briefings.
- ECOM secured records for 21 key personnel departures.
- ECOM partnered with OFAS and ISOF to ensure that risk assessment activities are appropriately integrated and coordinated.
- ECOM continued to review existing policies in compliance with applicable laws and rules for Enterprise business lines.
- ECOM reviewed previous audit reports of Enterprise business lines.

##### ASB

- FCSD continued the risk assessment process to identify and analyze the risks relevant to the preparation of CalPERS annual financial statements, to help ensure conformance with Generally Accepted Accounting Principles (GAAP) and standards set by Government Finance Officers Association (GFOA).
- HRSD completed audit and reconciliation of the Fitness Center member files to support the transfer of Electronic Funds Transfer processing to a new vendor.
- OSSD conducted a State Board Member election for the State representative on the Board of Administration. The Public Agency and School Board elections were not held as the incumbents were unopposed and were declared the unofficial winners.

#### CDOP

- CalPERS continued to hire and facilitate a competitive recruitment process based on merit principles and consistent with the SPB laws and regulations. CalPERS recruitment staff are conducting targeted recruitment at diversity job fairs, technical schools, and veteran and military job events. CalPERS monitored possible adverse impact against specific groups based on race/ethnicity and gender throughout the examination and selection process.
- CDOP conducted SPB's annual Employee Disability Survey. CalPERS disability parity rate increased from 8.1 percent to 13.8 percent.
- CDOP conducted an enterprise diversity pulse survey to gauge diversity and inclusion awareness of employees and chart progress established from a 2008 baseline.
- CalPERS continued to utilize Limited Examination Appointment Process (LEAP) lists when recruiting to fill vacancies for which LEAP lists exist. CDOP determined that Upward Mobility appointments have remained consistent for the last three years. Using data provided by the SPB, CalPERS appointed 28 employees in Upward Mobility classifications.
- CDOP completed the 2010-11 Biannual Language Survey, which concludes that CalPERS has no bilingual position deficiencies. As of 2010, CalPERS employed 10 certified bilingual employees with more than 70 employees fluent in 28 languages.
- Pursuant to CCR Title 2, CDOP continues to respond to employment discrimination complaints within 90 days of the complaint filing.
- CBC provided direct mail notification to certified SB/DVBE vendors concerning current CalPERS bid opportunities.

#### ITSB

- AISS developed a tracking and reporting tool, HIPAA View (HV), to comply with HIPAA reporting requirements by controlling and reporting on those who have access to HIPAA image data within the FileNet repository.
- AISS developed and implemented the Electronic Partner Management (ePM) system that replaced Sun eXchange. ePM helps ensure that the security of customer and investment information data is done in compliance with established security and encryption best practices and CalPERS standards.
- The Data Center continued to apply server, network, and desktop security patches on a regular basis to protect CalPERS assets.
- IISD verified that Version 2.4 of the PSR Security Test Plan was reviewed by IPOC and OFAS to help ensure the plan included compliance checks of PSR that tied back to the PSR technical requirements, ISOF practices, and State and federal laws. Revisions were agreed upon and will be included in Version 2.5 of the PSR Security Test Plan.
- IISD evaluated 64 software products for security vulnerabilities and potential risks.
- IISD provided security compliance consulting for 25 Enterprise projects.
- IISD evaluated 13 RFPs for compliance with ISOF practices, security best practices and State and federal regulations.
- IISD evaluated 326 critical security bulletins and advised the ITSB Data Center about what changes are critical to protect the CalPERS network.



- IISD conducted and/or assisted in 21 security investigations, and conducted eight security risk assessments.
- IISD provided continuous support and monitoring for CalPERS security violations and potential threats using security tools.
- IISD performed day-to-day security compliance operations and processed 5,308 User Access Request System (UARS), 249 Service Requests, 891 PeopleSoft Financial access requests, deployed 251 RSA tokens, and enhanced the UARS.
- IISD enforced the use of interim (ETO internal use) quality assurance test methodology, standard, and policy for CalPERS PSR solution components.
- PSR completed an initial analysis of the new myCalPERS system's compliance with the ADA; over 700 adjustments were identified. More than 400 corrections were made by fiscal year-end.
- PSR completed a plan to test myCalPERS compliance with HIPAA; test scenarios to validate detailed technical requirements are under development. Data masking, or obfuscation, of Personally Identifiable Information (PII) was implemented for external partner testing.
- PSR preliminary application security testing is underway, along with plans for performing an Internet Exposure Security Assessment early in FY 2010-11. The focus is on secure access to environments for collaborative business partner testing with converted legacy data.
- TSSD continues to work with an external firm to validate ADA compliance for any enhancements prior to release.
- TSSD documented processes to help ensure minimum compliance level of Section 508 is attained.
- IISD is maintaining an average IISD position vacancy rate of 5 percent or less through FY 2010-11, consistent with CalPERS enterprise goals.
- IISD is maintaining a 90 percent Employee Performance and Development (EPAD) Process completion rate, consistent with CalPERS enterprise goals.

#### OFAS

- OFAS completed 41 Internal Audit, Consulting and Follow-up reviews in FY 2009-10.
- OFAS continued to report to the Finance Committee on all open and resolved issues identified in its reports on Internal, Public Agency, Health, Real Estate, Financial Statement, and HIPAA audits.
- OFAS completed 62 Public Agency Reviews in FY 2009-10 and plans to complete 79 reviews in FY 2010-11. These reviews assess compliance with the California Government Code and California Code of Regulations for membership and payroll reporting for contracting public agencies, schools, district agricultural associations, State agencies, and California State Universities. Public Agency Reviews are now posted on line, effective July 2010.

#### **Training and Outreach:**

##### OERM

- ECOM issued compliance bulletins to affected employees on an as-needed basis on new compliance-related developments.

- ECOM enhanced CalPERS online tools to reinforce compliance education and awareness.
- EPSO implemented the first phase of the computer-based Information Security Awareness Training, which was completed by over 2,000 staff members.

#### ASB

- HRSD delivered the following compliance-related courses through the CalPERS LMS and provided more accurate reporting for compliance-related training. These courses are Web-based:
  - HIPAA – 2,487 staff completed the training.
  - Information Security Awareness – 2,497 staff completed the training.
  - SHP – 318 staff completed the training.
- HRSD developed and delivered Working Values training presentations, in partnership with ECOM, LEGO, CDOP, ISOF, and OSSD, to 580 employees designated as Form 700 filers. The training reinforced employee awareness of CalPERS Core Values and CalPERS various ethics-related policies, including the “No Gift” Policy.
- HRSD, pursuant to Injury and Illness Prevention Program (IIPP) Section 3203 of the General Industry Safety Orders and the SAM section 4842.2, facilitated First Aid/CPR training for 114 CalPERS employees. The training was administered over a four month period (July through October) and is consistent with CalOSHA guidelines addressing workplace safety.
- HRSD developed two Recruitment Training modules for managers.
- OSSD extended and modified Contracts and Procurement Training from 4 hours to 8 hours and added more information regarding contract management roles and responsibilities.

#### CDOP

- CBC collaborated with OSSD in ensuring staff awareness of the increase of the SB/DVBE Option’s purchasing authority threshold from \$100,000 to \$250,000 in accordance with AB 31 (Chap. 212, Stats. 2009).
- CDOP published the 2008-2009 CalPERS Commitment to Diversity, a report on diversity activities in INVO, LEGO, EXAB, and CDOP’s internal activities.
- CDOP sponsored the Sixth Annual Cultural Diversity Day at CalPERS, which celebrated the diversity of CalPERS workforce and community.
- CDOP conducted Managing a Multigenerational Workforce presentations to HRSD and senior leaders.
- CDOP facilitated a Diversity Awareness and Skills Workshop for staff and other State EEO officers.
- CDOP sponsored the annual Disability Awareness Day event in partnership with the Office of Statewide Health Planning & Development, bringing together community-based organizations that focus on disabilities.
- CDOP hosted the Diversity Quarterly Brown Bag Luncheon Series.

#### EXAB

- PAOF worked with the ASB on campaign materials to promote compliance with security initiatives. The campaign included posters, memos, newsletter articles, and other communications to help ensure staff understands how to comply with the security policies.

- GOVA successfully organized and executed briefings that educate Capitol staff on CalPERS organization, investments, pensions, and ongoing efforts to help ensure its members' retirement and health security.
- GOVA successfully organized and executed a series of briefings to inform the Governor's Office and State Legislature of the CalPERS Policy for the Disclosure of Placement Agent Fees.
- GOVA successfully raised awareness and improved the sharing of information on legislation affecting the enterprise, and advanced the division legislative representatives' knowledge and understanding of the legislative process and the role of CalPERS in State government.

#### ITSB

- ITAD established an internal training infrastructure, with the ability to strategically forecast organizational training needs, provide training plans for each job role, implement processes to help ensure training is sustained throughout the year, and proactively forecast activity. The ITSB Training Infrastructure acts as a single point of contact for all ITSB staff to develop their skills and support the organization as it evolves into new technologies and services.

#### OFAS

- OFAS provided specialized internal training to all OFAS professional staff on audit planning, work paper techniques and review, and report writing.
- OFAS internal auditors specifically consider fraud risk in planning each engagement and in OFAS annual risk assessment. In December 2009, the Institute of Internal Auditors (IIA) published "Internal Auditing and Fraud," a Practice Guide under the standards in the International Professional Practices Framework. OFAS uses the information gained from this publication to assess fraud in each individual engagement and also to build OFAS ongoing internal fraud risk matrix. To further enhance staff's skills, OFAS provided fraud risk assessment training to audit staff.

### **Legislation and Regulations:**

#### ASB

- OSSD promulgated regulations, Section 552, Board Meeting Notice, which changed the Board Notice requirement by expanding the distribution of the notice via e-mail and discontinuing the mass distribution of printed copies of the meeting notice, resulting in improved environmental and cost efficiency.

#### EXAB

- GOVA reviewed 2,500 new and amended bills, of which 244 were identified as bills of interest to CalPERS and stakeholders.
- GOVA successfully lobbied for the passage and enactment of four Board-sponsored State legislative proposals and presented analyses and recommendations on 11 other bills to the Board. GOVA analyzed and monitored 36 other bills affecting CalPERS.



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Striving for  
excellence in  
compliance  
through innovation,  
benchmarkings,  
and continuous  
improvement.

# The Year Ahead

## Office of Enterprise Compliance Goals for 2011

In 2010, CalPERS continued to lay the groundwork for an increased focus on compliance and ethics. ECOM stayed the course, facing the challenges in 2010. As we look forward into 2011, CalPERS is committed, first and foremost, to placing our members' interest above all others in everything we do as an organization.

Compliance and ethics programs serve a critical role in helping to prevent and detect misconduct at and by organizations and to promote an ethical business environment. CalPERS commitment to the development and rigorous implementation of effective compliance and ethics programs protects investors, members, employers, and the public at large.

The controversy involving placement agents and related activities has posed significant financial and reputational risks to CalPERS as an institution. Our objectives are to live up to our ethical standards and review our investment processes and how we conduct business with outside partners.

CalPERS and its leadership have been carefully considering the best operational structure to give sufficient attention to risk management, including ethics oversight. CalPERS recently created the position of CRO, with overarching responsibility for risk management across all of its offices.

We look forward to a productive year, as we continue to expand and develop our relationships with business line staff in support of enhanced compliance throughout CalPERS.

Sherry Johnstone  
Chief Compliance Officer

## Investment Business Line Compliance Goals for 2011

### Compliance Systems and Documentation:

#### OERM

- ECOM will continue to review and revise the Investment CAM desk procedures.
- ECOM and INVO will continue to research and review available automated tools for commodity and investment compliance.

#### INVO

- INVO, working with ECOM and LEGO, will develop written procedures for monitoring the use of derivatives and develop related policies and procedures across asset classes.
- INVO Asset Allocation/Risk Management Unit will implement a new investment risk system.
- REU will finalize implementation of procedures manual.
- REU will continue to partner with ECOM to increase understanding of AREIS.
- INVO, ECOM, and LEGO will work together to develop procedures to help ensure compliance with CCR section 599 (Disclosure of Placement Agent Fees, Gifts, Campaign Contributions), and the Contract-Related Disclosure Requirements Policy.
- AIPD will develop and implement an SIP agency training program to enhance the adoption process and contribution reporting with the new myCalPERS online process.
- AIPD, in collaboration with BNSD, will revise the MHLP Personal Loan account maintenance processes to improve accuracy and limit operational risks.
- AIPD will address MHLP audit findings presented by OFAS in the 2010 audit.
- INVO, through the Operating Committee, will develop a target operating model.

### Ongoing Compliance and Monitoring:

#### OERM

- ECOM will conduct the 4th Annual Real Estate Compliance Review.
- ECOM will continue to actively participate in REU Staff Internal Procedures Manual sessions.
- ECOM will continue to research and review best practices to provide to the REU.
- ECOM will continue to monitor and report Fixed Income and Global Equity compliance violations.
- ECOM will conduct a Securities Lending review.
- ECOM will conduct a Commodities review.
- ECOM will conduct the annual AIM review.
- ECOM and INVO will partner to help ensure staff compliance with the Insider Trading Policy.
- ECOM and INVO will perform ongoing monitoring of the Corporate Governance automated proxy voting platform and conducting periodic review of proxy voting records and trends.

#### INVO

- AIPD, in collaboration with FCSD Investment Accounting, will update mortgage-backed securities and Secured Personal Loan monitoring and purchase procedures to limit operational risks.

**Training and Outreach:**

## INVO

- REU staff and external stakeholders such as ECOM, LEGO, and OSSD will continue testing and hold training sessions for the REU procedures manual throughout 2011.
- AIPD, in collaboration with CSED, will make Supplemental Income 457 Plan webinar modules available to participants.
- AIPD, in collaboration with PAOF, will update MHLP presence on the CalPERS Online external website.
- AIPD, in consultation with LEGO, and in collaboration with CSED, will create a CalPERS Supplemental Income 457 Plan participant educational webinar module regarding investment concepts.

**Legislation and Regulations:**

## INVO

- AIPD will operationally implement and communicate to members the implementation of the State Peace Officers and Firefighters Supplemental Plan statutory survivor legislation.
- AIPD will operationally implement CalPERS Supplemental Income 457 Plan Document revisions.
- AIPD will develop an implementation plan for the introduction of a CalPERS 457 Roth account in accordance with enacted legislation.
- AIPD will implement proposed regulations to CCR Title 2 sections 561-561.14 to modify the loan term, re-underwrite the loans, and clarify MHLP details.
- INVO will continue to partner with ECOM, LEGO, GOVA, and PAOF regarding placement agent regulations, and development of policies and procedures to implement compliance recommendations.

## Health Business Line Compliance Goals for 2011

### **Compliance Systems and Documentation:**

#### HBB

- HBB staff will continue to monitor health benefit exchange implementation requirements, in order to determine the impact to the CalPERS Health Benefits Program and risk pool.
- OHPA, Clinical Care Program will conduct “Potentially Avoidable Complications Analysis” and participate in HHS payment reform initiatives.

### **Ongoing Compliance and Monitoring:**

#### OERM

- ECOM will continue to identify applicable laws, rules, regulations, and policies that apply to the health business line, and coordinate with HBB to identify compliance needs.

#### HBB

- DOIS, ASU will continue to monitor HBB contracts and process payments.
- DOIS, ASU will continue to coordinate audits and help ensure that responses to audit findings are submitted timely to OFAS.
- DOIS, HIPAA Administration, in coordination with HPPS, MIS, will continue to work with health and dental carriers for final implementation of ANSI 5010.
- OHPA, Health Care Contracts and Partnerships will consolidate medical and pharmacy appeals within OHPA.
- OHPA, Health Care Contracts and Partnerships will evaluate health care reform costs for preventive services, adding 23-26 year old dependents, and elimination of lifetime limits.
- OHPA, Health Care Contracts will implement 2011 health plan and LTC contract performance guarantees and Blue Shield Pay for Performance initiatives.
- OHPA, Self-Funded Operations will implement ERRP Claims and Cost Reimbursement, and assess the impact of these changes to 2012 rates.
- OHPA, Self-Funded Operations will evaluate initiatives for value added savings and development of a PPO Accountable Care organization, consistent with the federal Health Care Reform.
- OHPA, Self-Funded Operations will evaluate member satisfaction with PPO provider networks, appeals, and access to Medicare providers.
- OHPA, Self-Funded Operations will streamline the health care premium billing procedures with third-party administrator.
- OHPA, LTCP will improve operations through the addition of actuarial and underwriting staffing.
- OHPA, LTCP will improve plan performance through strengthened guarantees.
- HPPS staff will continue to monitor details and upcoming regulations concerning the implementation of health insurance exchanges as this will impact how CalPERS will do business in the future.



**Training and Outreach:**

## OERM

- ECOM will continue to research tools and best practices to monitor and report on compliance activities in the health business line.
- ECOM will continue to provide education and outreach through compliance and ethics training for HBB staff.

## HBB

- DOIS, HIPAA Administration will implement a process for sending out quarterly HIPAA reminders and updates to HBB staff.
- DOIS, HIPAA Administration will continue working to complete the updated HIPAA portal.
- EMHS will develop and execute PEMHCA technical training for all staff to help ensure policies and procedures are in compliance with PEMHCA statutes.

**Legislation and Regulations:**

## HBB

- DOIS, HIPAA Administration will continue to analyze new HIPAA-related legislation and regulations when received.
- DOIS, LSU will continue to coordinate cost estimates on new State and federal bills.
- DOIS, LSU will continue to coordinate new Legislative Proposals, Legislative Reports, and Implementation Reports on behalf of HBB.

## Pension Business Line Compliance Goals for 2011

### **Compliance Systems and Documentation**

#### OERM

- ECOM will continue the creation of monitoring and reporting tools for pension and retirement compliance.

#### AESB

- ERSD will continue to work with ISOF to help ensure compliance and awareness of CalPERS Information Security Practices.
- ERSD's Policy, Procedure and Compliance Unit will continue to enhance the compliance function by coordinating improved documentation of policies and procedures, legislative analysis and implementation, resolution of internal and external audits, regulations, and other compliance-related duties.
- ERSD will continue to enhance the CEC to improve the accessibility of procedures and training materials for employers.
- ERSD will continue to develop and publish online classes that can be accessed by employers via the CEC to provide employers with the tools, resources, and training they need to effectively do business with CalPERS.

#### MBSB

- MBSB will participate in the implementation and testing of automated systems to help ensure compliance with laws, rules, and regulations.
- MBSB will participate in the development of a governance process for service requests and enhancements for future technical changes to automated systems.
- MBSB will update its Succession Plan to reduce program risk.
- MBSB will continue to work with ISOF to help ensure compliance and awareness of CalPERS Information Security Practices.
- MBSB's Legislation, Policy, and Compliance Unit will continue to enhance the compliance function by coordinating improved documentation of policies and procedures, legislative analysis and implementation, regulations, and other compliance-related duties.
- CSED will continue to enhance the Customer Contact Center (CCC) and Regional Offices to improve the accessibility of informational material for members.
- CSED will pursue the development of online classes that can be accessed by members to provide them with the tools, resources, and training they need to promote their retirement and health security with CalPERS.

### **Ongoing Compliance and Monitoring:**

#### AESB

- ACTO will provide enhanced actuarial information on the impact of investment return volatility on employer contribution rates, to increase transparency.
- ACTO will have the State and Schools actuarial valuations audited and reviewed by an independent consulting firm.

- ACTO will perform a review of administrative fees charged for various actuarial valuations to help ensure fees reflect the cost incurred by CalPERS.
- ACTO, in order to mitigate the risk associated with service credit purchases and help ensure employers are not impacted by such purchases, will apply new demographic actuarial assumptions to all related member calculations including optional settlement calculations and service credit purchase factors.
- CORE will coordinate the efforts of staff from CERBT, ACTO, FCSD, and OFAS to maintain GASB 43 reporting compliance.
- ERSD, in collaboration with BNSD and MBSD, will continue to identify and implement strategies to help ensure employer compliance relating to payroll reporting.
- ERSD will work closely with the Attorney General's office and the State Controller's Office to help ensure the salaries and other compensation of the City of Bell's city officials are reported in accordance with the PERL.
- ERSD will continue to send e-mail reminders to staff to increase compliance awareness on such topics as Information Security, HIPAA requirements, Ethics Training, policy and procedure review dates, and to send individual reminders to managers on topics including probationary and annual performance review dates and emergency contact information updates.
- ERSD will continue to work with ISOF, ITSB, and other owners to review, educate, and obtain appropriate sign-offs prior to releasing any CalPERS confidential and sensitive information to external entities.
- ERSD will explore queuing after-hour faxes for printing during business hours to improve information security.
- ERSD will continue to administer and maintain the agreements between the Social Security Administration and CalPERS State and contracting agencies, as delegated by the Governor of California.
- ERSD will make continued improvements to help ensure that public agency review findings are resolved timely to help ensure employer compliance.
- ERSD will continue to implement recommendations on ways to increase employer compliance, and/or resolve issues preventing employer compliance related to employer review findings.
- ERSD will continue to monitor quality pursuant to its Quality Assurance Improvement Plan.

#### MBSB

- MBSB will continue to monitor automated system development and document possible issues to help ensure system and program compliance.
- MBSB will continue to document policies, regulations, legislative analysis and implementation, resolution of audits, and other compliance-related duties.
- MBSB will continue the review of Retirement Program Directives (policies) for updates and changes.
- MBSB will continue to work with ISOF and ITSB to help ensure compliance and awareness of CalPERS Information Security Practices.

- MBSB will continue to send e-mail reminders to staff to increase compliance awareness on such topics as Information Security, HIPAA requirements, Ethics Training, policy and procedure review dates, and to send individual reminders to managers on topics including probationary and annual performance review dates and emergency contact information updates.
- MBSB will continue to work with ISOF, ITSB, and other owners to review, educate, and obtain appropriate sign-offs prior to releasing any CalPERS confidential and sensitive information to external entities.
- MBSB will continue to help ensure procedures are effectively updated to reflect legal, regulatory, policy, and system changes.
- BNSD will continue to develop and update processes, procedures, and procedure storage infrastructure for retirement programs and monthly roll processing.
- CSED will explore options to provide additional security for overnight batching and fax printing.

### **Training and Outreach:**

#### **OERM**

- ECOM will continue its efforts to engage in enhanced outreach to provide MBSB staff with improved compliance-related tools, resources, and assistance.
- ECOM will continue to work with the pension business line to assess risk of noncompliance with policies, rules, and regulations and determine compliance exposures.

#### **AESB**

- ACTO staff will attend actuarial conferences as required to maintain their professional accreditations.
- ERSD will continue to implement external training strategy to help ensure employers have the tools, training, and support to conduct business with CalPERS.
- ERSD Training Unit will continue to deliver timely and relevant job and division-specific training classes.
- ERSD will continue to produce and provide timely, relevant, and educational materials through articles in the *Employer News*.
- ERSD will continue to disseminate Circular Letters and eBulletins by mass mail to advise employers of policy or procedural changes and information relating to retirement, benefits and related issues.
- ERSD Social Security Unit will implement outreach efforts to public agencies relating to Social Security compliance.
- ERSD will work to ensure that all scheduled employees complete the legally mandated ethics training, per G.C. 11146, by June 30, 2011.

#### **MBSB**

- MBSB will continue to provide job skills training for staff, and will train all staff on new procedures associated with legal, regulatory, policy, and system changes.
- MBSB will develop procedures and training for automated system functionality, processes, and workaround activities not addressed in current system training.

- MBSB will continue to provide education to members and employers through workshops, publications, and online channels such as webinars.
- BNSD will continue to revise retirement publications and online content to help ensure compliance with system disclosure policy.
- CSED will partner with PAOF to develop, support, and implement an outreach effort for members and employers to assist in adapting to changes in automated services.
- CSED will partner with PERT to train a specialized team to assist employers with technical system training, access, and navigation of automated systems.

### **Legislation and Regulations:**

#### **AESB**

- ERSD will continue to review and analyze areas of the law that are ambiguous, and determine a plan for addressing issues requiring legislative action or changes through the regulatory process.
- ERSD will continue to promulgate regulations necessary to support design of the new mylCalPERS system.
- ERSD will pursue the regulatory process to amend regulations to help ensure accuracy of the law, including technical changes to help ensure accurate references and authorities are cited.
- ERSD will submit regulation changes to clarify the definition of publicly available salary schedules for public agencies in order to increase their transparency and compliance with the PERL.
- ERSD will implement AB 1651 (Chap. 574, Stats. 2010), which provides that the calculations for retirement allowances, for specified local safety members and persons who are employees of specified educational entities and are subject to mandatory furloughs shall include, as credit for service and compensation, the amount of service and compensation that would have been credited and paid had the employee not been subject to mandatory furloughs on or after July 1, 2008, as specified.
- ERSD will implement SB 1085 (Chap. 320, Stats. 2010), which authorizes the 50th District Agricultural Association, with the consent of the Secretary of Food and Agriculture, to enter into a joint powers agreement for the purpose of creating a joint powers agency to operate, maintain, and improve the facilities and functions of the 50th District Agricultural Association.
- ERSD submitted a legislative proposal to clarify the term “pay rate” and to help ensure special compensation is reported to CalPERS separate from pay rate. The proposed law would also permit the Board to assess penalties if an employer is not in compliance with standard reporting rules.
- ERSD will submit a regulatory proposal to clarify the term and requirements of a publicly available salary schedule and written labor policy agreement in order to enhance disclosure and transparency of public employee compensation. The proposed regulation would help CalPERS enforce compliance with the compensation statutes and maintain a consistent practice of verifying payrates and special compensation.

- ERSD, in conjunction with the State Controller's Office, will implement AB 1592 (Chap. 163, Stats. 2010), AB 1625 (Chap. 728, Stats. 2010), SB 846 (Chap. 162, Stats. 2010) and SBX6 22 (Chap. 3, Stats. 2010) relating to memoranda of understanding with various State Bargaining Units. These statutes included various points of pension reform including, but not limited to, increases in member contributions, rollback of benefit formulas and increase in final compensation calculable years.

#### MBSB

- MBSB will pursue the regulatory process to amend regulations to help ensure accuracy of the law, including technical changes to help ensure accurate references and authorities are cited.
- BNSD and MBSB will continue to review and analyze areas of law which are ambiguous and develop a plan for addressing issues through the legislative or regulatory process.
- BNSD submitted a legislative proposal for 2011 which would treat a member's will or trust document as a designation of beneficiary or as a change of beneficiary if the will or trust specifically disinherits the statutory beneficiary or previously designated beneficiary.
- BNSD submitted a legislative proposal for 2011 which would amend technical language in GC sections 21221(h), 21224, and 21228, to help ensure employers properly employ retired members. These modifications will improve compliance by clarifying language.
- MBSB will implement AB 1856 (Chap. 197, Stats. 2009) to provide members with the ability to cancel or suspend service credit purchase payments.
- JLRS will implement the State's Group Legal Services Plan (GSLP) per AB 820, (Chap. 126, Stats. 2009) for retirees in February 2011. Implementation of the GLSP for retirees allows for automatic retirement warrant deductions to pay for this service.

“Policy to Practice”  
Reference materials  
for building effective  
compliance programs.



## Enterprise Business Line Compliance Goals for 2011

### **Compliance Systems and Documentation:**

#### OERM

- ECOM will assist with efforts to implement recommendations from the Special Review on Placement Agents.
- ECOM will administer the CalPERS Internal Form 700, Annual Statement of Economic Interests Process.

#### ASB

- FCSD will continue to expand ongoing risk assessment processes relevant to the preparation of CalPERS financial statements to help ensure they are consistent with GAAP.
- HRSD will work with ECOM to automate the Internal Form 700, Annual Statement of Economic Interests Process filing procedures to improve compliance tracking and training efforts.
- HRSD will roll out an updated duty statement format in order to comply with legislation which revised the State's definition of a disability and required that all State departments determine the essential functions of each position.
- HRSD will develop a Processes and Procedures Manual for Personnel Liaisons (in partnership with the Classification and Consultation Unit (CCU); this is currently in progress, and slated for completion in 2011).
- OSSD plans to procure a new contracts database to streamline the contracting process and provide more effective and efficient contract management for the enterprise.
- OSSD plans to expand its contracting oversight activities to include all CalPERS program area contracts.

#### CDOP

- CDOP, in cooperation with HRSD, will develop systems to track upward mobility appointments, training, and career development activities.
- CDOP will collaborate with OSSD to implement an ADA transition plan to address the ADA Compliance Survey of the three CalPERS buildings in Sacramento.
- CDOP will collaborate with OSSD, LEGO, and EXEC to develop policies to strengthen CalPERS SB/DVBE program.
- CDOP will collaborate with HBB and INVO to identify SB and DVBE contract participation opportunities and encourage participation whenever possible.

#### EXAB

- GOVA, with the assistance of SMSD, will survey similarly situated public and private sector lobbying offices to identify best practices that may improve GOVA's operations and effectiveness.
- GOVA will develop guidelines for determining the differences between technical and substantive proposals by CalPERS staff to amend or add to the PERL, and improve the analysis and approval process for each type of proposal.



- GOVA will actively engage division legislative representatives to improve its processes for reviewing newly introduced and amended legislation, and identifying the appropriate enterprise areas that have an ongoing interest in bill monitoring and review.
- GOVA will interview and engage all CalPERS executives and DCs to identify and develop strategies and practices to help ensure its operations provide timely and actionable information to all parts of the business enterprise regarding State and federal legislative and regulatory actions, and improve coordination within the enterprise to achieve desired outcomes in these arenas.

#### ITSB

- The Data Center will implement enhanced desktop security settings during the PC upgrade project to Windows 7, Internet Explorer 8, and Office 2010 to meet the ISOF Escalated Levels of Access Practice under development.
- The Data Center will validate all software applications during the PC upgrade project and update the Enterprise Application inventory repository for tracking and compliance with the Software Licensing Practice.
- The Data Center will reclaim unused remote access tokens due to implementation of Outlook Web Access (OWA) e-mail for saving in token costs and reduction in support costs.
- IISD will mature CalPERS methodology, tools, and templates toward increasing alignment with OCIO California Project Management Methodologies.
- IISD, through the delivery of successful projects, will continue to support CalPERS lines of business in their efforts to comply with federal, State and legal mandates.
- IISD will implement and enforce the Systems Investigation Report (SIR) and Change Management (CM) process and policy for the new myCalPERS solution.
- ITAD will streamline administrative processes for the request, authorization and registration for training activities.
- ITAD will publish Service Level Agreements (SLAs) for all ITAD service points.
- PSR will test the Event Management logging system during Customer Acceptance Testing (CAT) testing in FY 2010-11. Additionally, PSR will synchronize CalPERS policies and business rules with the system's monitoring tools and reporting capabilities.
- PSR plans to mitigate the near-term impact of new legislation on the Project, including Health Care and Pension Reform. During the later half of the fiscal year, emphasis will be placed on assessing the application's implementation readiness, along with the preparedness of internal staff and external partners for system launch.
- TSSD will participate in efforts to establish an ADA policy for Web accessibility at the organizational level.
- TSSD will continue external firm validation of all ADA enhancements.
- TSSD will develop an ADA-compliant template for the *Insider*. Maintenance projects will be initiated to retroactively update older *Insider* content.
- TSSD will participate in upgrading the current ANSI 834 version from 4010 to 5010 as mandated by HIPAA regulations.

### **Ongoing Compliance and Monitoring:**

#### **OERM**

- ECOM will continue to administer the Form 700 Enhanced Review Process, to help ensure CalPERS staff complies with laws, regulations, and policies governing disclosure and incompatible activities.
- ECOM, in coordination with FCSD and PAOF, will publish Form 700, Annual Statements of Economic Interest disclosure statements and the Travel Information Summaries on the CalPERS Webpage for Board members and representatives, Executive Staff, and key investment staff.
- ECOM, in partnership with OSSD, will monitor consultant disclosures as required in the CalPERS Contract-Related Disclosure Requirements Policy.
- ECOM will continue to monitor the CalPERS Ethics Helpline and report to the Finance Committee and the Board.

#### **ASB**

- OSSD will conduct elections for the Special Member-at-Large and Retired Board member positions.
- OSSD will conduct a system-wide physical inventory count of CalPERS assets.
- SMSD will institute quarterly Business Plan Executive Review sessions, enabling the executive staff to more closely monitor the Business Plan objective status and development of remediation plans as needed for those objectives at risk for not meeting deliverables and timelines.

#### **CDOP**

- CDOP will continue to provide EEO technical expertise and educational outreach enterprise-wide.
- CDOP, in collaboration with the California Department of Rehabilitation, will continue to provide expertise to ITSB and PAOF, Multimedia Services in regards to video closed captioning and accessibility issues that pertain to webinars and electronic technology.
- CDOP, in conjunction with PAOF, will conduct follow-up activities to help ensure that CalPERS appropriately responds to the outcomes from the 2010 pulse survey, measuring CalPERS employees' diversity awareness.
- CDOP will continue to collaborate with OSSD on issues pertaining to SB and DVBE vendors and increasing CalPERS contracting and procurement participation levels.
- CDOP will continue to promote the value of purchasing products and services from SB and DVBE vendors by meeting with division representatives and WeBuy users.
- CDOP will continue to collaborate with OSSD to conduct bidder's conferences to provide networking opportunities for SB and DVBEs.

#### ITSB

- The Data Center, as part of the technology refresh effort, will continue to explore opportunities to improve compliance on security, obtain energy efficiency, and cost reduction on the utilization of CalPERS assets.
- IISD will work to ensure all Form 700 Annual Statements of Economic Interest are filed by scheduled IISD employees by the mandated due date of April 1, 2011.
- IISD will address and resolve all outstanding audit findings within 12 months of audit report.
- IISD will implement and enforce quality assurance test methodology, standards and policy for the new mylCalPERS solution.
- IISD will maintain an average position vacancy rate of 5 percent or less, consistent with CalPERS enterprise goals.
- IISD will maintain a 90 percent EPAD process completion rate, consistent with CalPERS enterprise goals.
- PSR will complete more than 300 additional adjustments to the new mylCalPERS system to help ensure compliance with the ADA; final verification of over 700 cumulative adjustments for ADA compliance will be performed during CAT.
- PSR will test mylCalPERS compliance with the HIPAA during CAT testing; test cases to validate technical requirements will address detailed compliance scenarios, along with appropriate processes and procedures, to help ensure conformance with best practices.
- PSR will conduct comprehensive application security testing prior to and during CAT testing. Additionally, verification of secure test environments for business partner testing is expected to complete in the second quarter FY 2010-11.
- TSSD will continue retroactive updates of *Insider* content to help ensure compliance with Web Content Accessibility Guidelines related to California State law (G.C. sections 11135-11139.7) and the Americans with Disabilities Act Section 508 requirements.
- TSSD will continue to meet Section 508 requirements and target WCAG 2.0 conformance in all new development.
- TSSD will explore acquisition of a compliance testing suite of tools for ADA compliance.

#### OFAS

- OFAS is preparing for its upcoming External Quality Assessment, required every five years in accordance with professional standards and due by December 31, 2011.

### **Training and Outreach:**

#### **ASB**

- HRSD will develop and implement workshops for supervisors and managers in the areas of performance management, employee relations, developing application screening criteria and developing interview questions to supplement the current leadership development training.
- HRSD will continue to provide the following mandatory training:
  - AB 1825 Mandatory SHP Training for supervisory staff
  - Information Security Awareness Training
  - HIPAA Training
- HRSD will roll out a new, Web-based, version of the “Working Values” training.

#### **CDOP**

- EEO staff will continue to keep abreast of the latest EEO trends and State and federal developments by networking with the California Civil Rights Officers’ Council, and by attending the annual California Association of Equal Rights Professionals’ Conference.
- CDOP will continue to host the monthly meeting of the CalPERS Disability Advisory Council (DAC), as required by GC sections 19230-19237 and 19795(b).
- CDOP will facilitate program self-evaluation training of the DAC in order to comply with the Americans with Disabilities Act.
- CDOP will collaborate with HRSD in their plan to develop Disability Awareness for Leaders Training for manager and supervisors.
- CDOP will promote stronger use of the SB/DVBE Option for contracting opportunities.
- CDOP will continue to participate in business trade shows, conventions, and events to promote CalPERS contracting opportunities.

#### **EXAB**

- GOVA will assist OPPD in the development of informational toolkits designed to improve State and federal elected officials’ understanding of public pension and health benefit programs and benefit funding mechanisms.
- PAOF will establish training procedures for staff assigned to closed captioning, webinars, and webcasts.

#### **ITSB**

- IISD will work to ensure that all scheduled IISD employees complete the legally mandated ethics training, per G.C. 11146, by June 30, 2011.
- IISD will work to ensure that all IISD staff complete the annual Security Awareness training.
- ITAD will create a database of roles and associated skills to support the development of Individual Learning Plans for 90 percent of ITSB positions.

**Legislation and Regulations:**

## CDOP

- CDOP will provide guidance and oversight to CalPERS regarding the Governor's Executive Order S-11-10, which requires State agencies to take specified actions to help ensure reasonable accommodation for disabled employees.

## EXAB

- GOVA will fully implement AB 1585 (Chap. 7, Stats. of 2010) to improve public access to all CalPERS reports by streamlining their collection through an electronic process and establishing a central location on the CalPERS website where all legislative mandated reports can be accessed.
- GOVA, in concert with enterprise staff and CalPERS federal representative, will work to ensure timely responses to requests for comment on the promulgation of regulations associated with federal healthcare and financial market reform.

# Appendix A

## U.S. Sentencing Commission's Organizational Sentencing Guidelines

Because an organization is liable for actions taken by its agents (offenses by certain personnel) it is important for organizations to avoid culpability (involvement in or tolerance of these offenses) by demonstrating an effective compliance program – this becomes a factor in determining the amount of fines which may be levied against an organization.

The guidelines increase the fine range when organizations are more culpable and reduce the fine range when organizations are less culpable.

The steps an organization takes to prevent and detect criminal conduct and the organization's actions after an offense has been committed are important in determining a fine range.

Specifically, the organization's culpability is determined by:

- the level or extent of the organization's prior history,
- whether an order was violated when the organization committed the offense,
- whether the organization obstructed or attempted to obstruct justice,
- whether the organization had an effective program to prevent and detect violations of law, and
- whether the organization reported the offense, cooperated fully in the investigation, and accepted responsibility for its criminal conduct.

Organizations reduce the risk of extensive fines by implementing compliance programs that are proactive in the promotion of ethical behavior.

The United States Sentencing Commission's Organizational Guidelines Manual "Chapter Eight - Sentencing of Organizations" requires organizations to (a) have an effective compliance and ethics program, (b) exercise due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law, and (c) periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process and to:

- (1) exercise due diligence to prevent and detect criminal conduct.
- (2) promote a culture of ethical conduct and a commitment to compliance with the law.
- (3) use efforts not to include those within the substantial authority personnel of the organization any individual who the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.

- (4) conduct effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.
- (5) take steps—(A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct; (B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and (C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.
- (6) The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.
- (7) After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.

# Appendix B

## All Staff Training and Development (ASTD) Mandatory Training Matrix

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Accessibility for handicapped See also “reasonable accommodation (disability)”	The intent of the law is to make the workplace equally accessible to all, to reduce barriers to employment for those who are physically handicapped. It goes hand-in-hand with reasonable accommodation in the workplace (of a disability).	Federal law (Americans with Disabilities Act of 1990; Rehabilitation Act of 1973; Fair Employment and Housing Act, FEHA); Executive Order S-04-05 (LEAP, Limited Examination and Appointment Program)	HR, ERMM (Reasonable Accommodation Officer); BOSS unit (hearing-impaired); OSSD (space planning); CDOP diversity analyst (for LEAP)	New Employee Orientation; evaluation by space planning; compliance with reasonable accommodation request; division furniture contact request	All	As needed for self-identified staff
Conflict of interest/ incompatible activities See also “ethics training and gift reporting”	The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations	LEGO; Chief Compliance Officer (Office of Enterprise Compliance); ASTD	Online training (Insider course); Fair Political Practices Commission video in LC; ECOM CalPERS Working Values Handbook	Employees listed in CalPERS Conflict of Interest Code (see Insider) generally SSM III & above; CalPERS Board members, some CalPERS consultants	Biennial
Contracts training	Training specific to developing & administering CalPERS contracts	PCC Section 10310.5; CA Pension Protection Act of 1992 (Article XVI, section 17, CA constitution); CalPERS Board Resolutions 92-04B & 92-04B-1, 3,5,6,7; OSSD-98-01; Delegation No. EXEC-95-101; SB 115 (Ch. 451, Stats. 2005), SB 1436 (Chap. 234, Stats. 2006)	OSSD contracts mgmt & procurement sections; ASTD	CalPERS admin manual (PAM) on Insider; hard-cover contracts training manual; ASTD courses	requesting division, contract mgr, Board, CEO, AEO Admin, Legal, OSSD CMS, PROS, FCSD, HR, Audits, IT, ISOF	As needed and applicable



Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Data processing See also "Information security"	Training & development related to usage of computers & software	SAM (State Administrative Manual) 4854; <a href="http://sam.dgs.ca.gov/TOC/4800/4854.htm">http://sam.dgs.ca.gov/TOC/4800/4854.htm</a>	IT; mgmt.; training coordinators; ISOF (Information Security Office); HRSD All Staff Training & Development (ASTD)	Internal training; Learning Center, ASTD courses	All	As needed & applicable
Defensive driving	The Department of General Services, Office of Risk and Insurance Management, approves and develops statewide driver training courses. Obtain course descriptions and scheduling information by accessing the DGS Training System Registration website, <a href="http://www.training.dgs.ca.gov">http://www.training.dgs.ca.gov</a> , or by contacting the Defensive Driver Training Coordinator, Office of Risk and Insurance Management, Department of General Services, 707 Third Street, First Floor, West Sacramento, CA 95605, Telephone (916) 376-5309.	SAM (State Administrative Manual), <a href="http://sam.dgs.ca.gov">http://sam.dgs.ca.gov</a> 0750 et seq; Vehicle Code, section 1808.1 (Pull Notice Program)	Staff and supervisors of staff who drive (operate vehicles) on official State business; OSSD	Dept. of General Services 3 ½ hour classroom training; other DGS courses; other training; <a href="https://www.training.dgs.ca.gov/courselist.asp?group=1">https://www.training.dgs.ca.gov/courselist.asp?group=1</a> review drivers' records annually; New Employee Orientation; annual Summary Report of State Driver Accidents, Office of Insurance & Risk Mgmt Form INS-68	All employees who operate vehicles on official State business	At minimum, successful completion of an approved defensive driver training course once every 4 yrs (for frequent drivers)
Departmental training policy, plan, programs evaluation; total program evaluation	Relevant work-related training for all staff at CalPERS; responsibilities of state agency training dept. & trainers; New Employee Orientation	DPA regulations 599.815-.819, 599.821, Govt. Code 19400-19406, 19995; Dept. of Finance Budget Letter 98-07; for NEO, relevant MOUs (union contracts)	ASTD	New Employee Orientation; thereafter as needed; internal & external training; LC; <a href="http://insider.calpers.ca.gov/aesb/docs/dpa-orientation.pdf">http://insider.calpers.ca.gov/aesb/docs/dpa-orientation.pdf</a> , Dec. 2006, California Orientation for the State Employee, DPA Benefits Div.	All newly appointed CalPERS employees	New Employee Orientation; thereafter as applicable

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Diversity awareness See also "harassment (sexual)"	Diversity is a fundamental business philosophy that values the differences of each individual and ensures equal opportunities for all staff. It is strategically and ethically driven, not just legally driven. It reflects the cultural, ethnic, and racial diversity of our stakeholders.	Executive Order S-04-05; two CalPERS issue memos; GC 19323, CA Dymally-Allatorre Bilingual Services Act; Federal Americans with Disabilities (ADA) Act; GC 19230-19237, 19795(b), 19797; PCC 10111	(CDOP) Diversity Outreach Program staff; Legal Office	LC, internal training; external consultants; instructor-led and online training ( <a href="http://www.newmedialearning.com">www.newmedialearning.com</a> ); CDOP Annual Workforce Analysis Report; CalPERS Disability Advisory Council & Disability Awareness Day; annual, midyear SB & DVBE contract participation reports; Biennial Bilingual Survey	All staff, including supervisors and consultants; CalPERS Board members	As needed & required; minimum once
Emergency response training (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	The Business Continuity and Emergency Response Units are responsible for developing, documenting, testing, and maintaining a comprehensive plan to be activated in the event that a natural or man-made disaster disrupts CalPERS ability to conduct normal business operations.	SAM 6560; CA Emergency Services Act; GC 8649; Executive Order B-48-78	Disaster Recovery Contact (OSSD); Business Continuity Coordinator (OSSD) (for CalPERS Business Recovery Plans); Emergency Response Coordinator (for Emergency Response Program)	Internal training by external consultants; business continuity plans for each division	Emergency response team of volunteer CalPERS staff with management support, business recovery contacts in each division	For emergency response-Annual refresher + intro 2-day training
Employee assistance program (EAP) orientation	Program provides confidential problem assessment, short-term counseling, and referral services to employees and their families. Areas include personal, emotional and stress concerns, marital and family issues, financial and credit problems, legal matters, alcohol and drug abuse problems, along with dependent elder and child care issues.	HSC 11759.10-.17; GC 19998.5; DPA Reg 599.931	EAP Coordinator (HR) (Employee Relations Officer); division personnel analyst	New Employee Orientation; subsequent annual orientations or as providers change; internal or external training	All	At least once during employment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Employer-related training	The Actuarial and Employer Services Branch (AESB) is the liaison for employer-related issues. It is the mission of AESB to serve and partner with customers and stakeholders through maintaining and analyzing information, and communicating, educating and consulting. The AESB Employer Representatives may be able to provide consulting services via the telephone, video-conferencing, or on site visits to employer offices. Consulting services include discussing the process for amending CalPERS Contract, any payroll issues, membership issues, or any CalPERS issue. AESB's aim is to be a full service employee benefits consulting function within CalPERS. The primary responsibilities of the branch are: Actuarial Services, Employer Contracts and Education, Employer Reporting, Employer Contact Center, and Communication and Branch Administration (AESB, Help_Me, Employer News, CalPERS On-Line and Insider websites, legislative analysis)	PERL (Public Employees' Retirement Law)	Actuarial & Employer Services Branch (AESB); Office of Data Administration	Internal training	Specific employees in divisions which deal with employers	As needed; ongoing
Ergonomics (part of Injury & Illness Prevention Program) See also Injury & Illness Prevention Program	Ergonomics is the applied science of designing and arranging things that people use so people and things interact most efficiently and safely. To prevent pain and injuries associated with the computer, called cumulative trauma disorder injuries (CTDs) or repetitive motion injuries (RMIs) is the intent of ergonomics training (part of Injury & Illness Prevention Program).	LC 6400, 6401, 6401.7, Title 8, CCR, Section 3203, ANSI/HFS 100-1988; CAL/ OSHA Reg: Title 8, CCR, Section 5110	All staff; including managers, supervisors, HR Health and Safety Officer (Ergonomic Program Coordinator); OSSD space planning unit; Return to Work Coordinator (HR)	New Employee Orientation; on- the-job training for call center staff	All	Ongoing as needed; minimum of once at start of employment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Ethics training and gift-reporting; See also "Conflict of interest/incompatible activities"	The purpose of training is to learn to recognize economic interests from which a financial conflict of interest can arise. This is an eight-step self-assessment process.	GC 1090, 11146-11146.4, 81000 et seq., 87200 et seq., 87300, 87304; Title 2, Article 3, Sections 560, 18730 (CCR); Article XVI, section 17, CA constitution; PCC 10410; CA Political Reform Act; Fair Political Practices Commission regulations CalPERS internal memos (11/18/09)	Legal Office; Chief Compliance Officer (Office of Enterprise Compliance, ECOM); HR	Online training (Insider course); Fair Political Practices Commission video in LC; file Form 700 (Statement of Economic Interest); 2010 CalPERS Working Values Handbook (ECOM) page 71, 73-83 <a href="http://www.fppc.ca.gov">www.fppc.ca.gov</a> , 1-866-ASK-FPPC (toll-free advice line)	Positions listed in CalPERS Conflict of Interest Code (see Insider)—generally SSM III & above; CalPERS Board members, some CalPERS consultants	At start of employment for impacted staff
Harassment (Sexual) See also "Diversity"	The California Public Employees' Retirement System (CalPERS) is committed to ensuring a work environment that is free from all forms of discrimination, including sexual harassment. It is the policy of CalPERS to prohibit sexual harassment by or of a CalPERS employee or a person providing services to CalPERS pursuant to a contract. CalPERS has a zero tolerance for such conduct and expects its managers and supervisors to vigorously and visibly promote a harassment-free work environment.	GC 12940-12951; Stats 2004, Ch.933; AB 1825 (FY 03/04) amended 8/17/07 (GC section 12950.1); Title VII, 1964 Civil Rights Act; CA Fair Employment & Housing Act; EEOC; CalPERS Zero Tolerance Sexual Harassment Policy, effective 10/01/07, updated 4/29/09; U.S. Federal Sentencing Guidelines	Diversity Outreach Program staff; Legal Office; ASTD	HRSD (track & report internal training); State Personnel Board course; CalPERS L.E.A.D.E.R. course & New Employee Orientation; CalPERS online Insider Onboarding programs; pp. 9-26, 2010 CalPERS Working Values Handbook (ECOM,); CalPERS Discrimination Complaint Form	Supervisors and all other staff at CalPERS; Board members; CalPERS consultants and contractors	All new supervisors or managers within six months of start; every two years for all supervisory employees
Health Insurance Portability & Accountability Act (HIPAA)	Overarching Federal law to limit fraud & abuse, reduce health care admin costs, and protect security, privacy and insurability of individuals & their protected health information; applicable to us both as members and to staff in health branches. The health program side of CalPERS is involved in providing continuity of health benefits to members. We provide administrative (security) training regarding HIPAA for HBB and EMHS staff.	Federal law (8/21/96): HIPAA Act: sections on Privacy, Transactions Code Sets, Security; Federal Dept. of Health & Human Services, Office of Civil Rights (45 C.F.R.) State of California, Office of HIPAA Implementation, <a href="http://www.calOHI.gov">www.calOHI.gov</a> SAM, ANSI 834	HIPAA Coordinator/ Privacy Officer in HBB; all supervisors; Information Security Office (ISOF)	<a href="http://www.calOHI.gov">www.calOHI.gov</a> Insider HIPAA compliance portal; CalPERS New Employees Orientation & LEADER training; HIPAA ANSI 834 guide; Business Continuity Plan Decision Logic Table, 2010 CalPERS Working Values Handbook Privacy Policy, pp. 113-115	Primarily Health Benefits Branch (HBB); Office of Employer & Member Health Services (EMHS); secondarily all CalPERS staff, all contractors & consultants	At initial employment & annually thereafter (signed statement by staff); for contractors & consultants, at commencement of work

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Information Security Awareness See also "Data processing" and "Health Insurance Portability & Accountability Act (HIPAA)"	An information security officer shall be responsible for implementing state policies and standards regarding the confidentiality and security of information pertaining to his or her respective agency.	GC 11771 & related; as of August 2007, mandated training through ISOF, Information Security Office Policy and Guidelines, <a href="http://insider.calpers.ca.gov/isof/default.asp">http://insider.calpers.ca.gov/isof/default.asp</a>	ISOF (Information Security Office)	Internal training; ISSCA annual signed form filed in HR; New Employee Orientation	All staff, including Executive staff, students, contractors, retired annuitants	Annually, beginning at start of employment (see HIPAA compliance)
Injury & Illness Prevention Program (includes emergency response training, ergonomics, medical services & First Aid/CPR certification, and Workplace Violence Prevention Program)	Each department shall establish, implement, and maintain an Injury and Illness Prevention program (IIPP).	CCR Title 8, Section 3203; LC 6401.7; SB 198, SAM 2580.2, 2580.4 (for State departmental safety coordinators); Chapter 1369, Stats. 1989; Exec. Order D-48-85; guidelines, Injured State Workers' Assistance Program	Health & Safety Officer (HR); CalPERS Employee Relations Officer	New Employee Orientation; IIPP Insider document ; new job assignments; whenever new hazards identified; 8-day, 2-week DGS course; Log & Summary of Occupational Injury & Illness, CAL/OSHA Form 200	Generally applicable to all; with specific training for all State departmental safety coordinators	Ongoing; as needed, begin at start of employment; within one year of appointment (SAM 2580.4) for all State departmental safety coordinators
Medical services & first aid/CPR certification (part of Injury & Illness Prevention Program)  See also "Injury & Illness Prevention Program"	As of 6/08/09, list of CalPERS first aid/CPR certified staff, 2-year certification from month of issue. <a href="http://insider.calpers.ca.gov/building/lincolnplaza/emergency/cpr-list.htm">http://insider.calpers.ca.gov/building/lincolnplaza/emergency/cpr-list.htm</a>	Cal/OSHA General Industry Safety Orders, Title 8, CCR, Section 3400	Disaster Recovery contact (OSSD); HR Employee Relations & Medical Management staff, specifically CalPERS First Aid/CPR Certification Program Coordinator	Certify staff in First Aid/CPR; identify staff who are already currently certified	Those identified by applicable OSSD and HR staff for certification or re-certification	Ongoing, as needed
New Supervisors training	Minimum 80 hours of training provided to new supervisors to help them succeed in their new roles, at least 40 of which may be on-the-job by a qualified higher level supervisor or manager, and at least 40 of which shall be structured & provided by a qualified instructor	Government Code 19995.4	Human Resources, Workforce Management & Leadership Programs	WMLP courses: Leader, New Leader Orientation	Those staff promoted to supervisor from rank & file	Once within probationary period or within 12 months of supervisory appointment

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Reasonable accommodation (disability). See also Americans with Disabilities Act of 1990 (accessibility for handicapped)	<p>An employer is required to provide reasonable accommodation for any disability identified in the ADA, as requested by self-identifying applicable staff.</p> <p>Employees with disabilities have the right to equal access to employer-sponsored training that is available for job improvement, self-development, and upward mobility. In providing or sponsoring training, CalPERS is committed to doing the following:</p> <ul style="list-style-type: none"> <li>• Inform employees on all training notices that reasonable accommodation will be provided, where appropriate, upon reasonable advance notification of need.</li> <li>• Provide the TTY number or the number for the California Relay Service so that deaf and hearing-impaired employees can access more information; ensure that facilities used for training are accessible to persons with disabilities.</li> <li>• Provide sign language interpreters, captioned film or videos, large print or Braille written materials and other such accommodations as appropriate or available.</li> </ul>	Americans with Disabilities Act of 1990 (ADA) and the Fair Employment and Housing Act, FEHA, which are Federal laws	Human Resources (Reasonable Accommodation Officer); space planners (OSSD); CalPERS Diversity Outreach Program (CDOP) staff	Compliance varies, according to individual situation as determined by individual staff "reasonable accommodation" request to HR or OSSD, see summary at left for training methods.	All	As needed for self-identified staff
Records Management	The CalPERS Records Management Program establishes and executes the policies and procedures for creating, modifying, storing and destroying business records.	SAM (State Administrative Manual) 1610	OSSD Records Management Unit; policy change/ review by EXEO, Office of Legal Services, and Office of Audits Services	Internal training by HR & Change Management (SMSD) staff	All; division managers implement for each division	Annual review by divisions
Toxic Exposure (part of Injury & Illness Prevention Program) See also "Injury & Illness Prevention Program"	<p>If employer creates, obtains, or has access to records of exposure or medical records of employees exposed to toxic substances or harmful physical agents, then the employer must maintain the records for the length of employment of the employee plus 30 years.</p> <p>The employer must make these records available to employees, their representatives or the Division of Occupational Safety and Health (DOSH) without cost, within 15 days of a request.</p>	SAM (State Administrative Manual) 2590; CAL/OSHA safety order (General Industry Safety Orders, section 3204, Title 8, CCR)	Health & Safety Officer (HR)	Keep records in Human Resources	All	Ongoing

Identified training mandates	Summary	Related Rule, Law, or Regulation*	Ownership (Position Titles or Divisions)	Methods of Compliance & Training	Impacted Staff	Required Frequency of Compliance
Training provisions in current MOUs.  See also "Upward mobility"	In the Memorandum of Understanding (MOU), the union contract for each represented employee, provisions regarding training and education are found.	See current MOUs online at dpa.ca.gov, calcsea.org or seiu1000.org websites	All staff represented by unions (rank-and-file, not usually managers or supervisors)	Review hard copy contracts, or online MOUs as needed	All rank and file staff; all staff with MOUs	Review at start of employment, and as MOUs change
Upward mobility See also "training provisions in current MOUs"	Upward Mobility is the planned development and advancement of employees in low-paying occupations to entry technical, professional, and administrative positions in State departments. In addition to a formal Upward Mobility Program, a variety of opportunities for staff to develop skills to prepare for advancement are available through the CalPERS Learning Center, training classes, computer-based training, lunchtime workshops, corporate citizenship activities, on-the-job training, and other venues.	GC 19400-19406, 19494	CalPERS Diversity Outreach Program staff (CDOP); Equal Employment Opportunity (EEO) officer in CDOP; ASTD training programs; managers, supervisors	CalPERS Step Up (interactive online program) on Insider; CalPERS Equal Employment Opportunity Policy Statement (Anne Stausboll), CalPERS Strategic Goal II	All	Ongoing
Work/family	Benefits, policies & programs relating to work and family, that pertain to state employees. Various documents are at the DPA website.	Federal & state laws; review DPA regs for non-represented staff; MOUs for represented staff	HR (Employee Relations and Medical Management)	Insider; New Employee Orientation; announcements as needed	All	Ongoing
Workplace Violence Prevention Program (included in Injury & Illness Prevention Program)	The State agrees to meet with the Union to develop and provide training on a model Workplace Violence Prevention Program and make the program available to all departments.	Personnel Mgmt Liaison (PML) 12/14/01 (DPA Memo); Title 29, US Code Sec. 654 (a)(1); CA Labor Code Sections 230.1, 6400 et seq.; CA Govt. Code Sec. 19572; CA Penal Code Sections 71, 171b, 387	HR (Employee Relations and Medical Management)	CalPERS LEADER training; LC resources; Zero Tolerance Workplace Violence Prevention program & policy on Insider (10/01/09)	All	Ongoing

# Appendix C

## Definitions

**Affiliate Investments:** The Affiliate Investments include the Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRFII), Legislators' Retirement Fund (LRF), Long-Term Care Fund (LTCF), and California Employers' Retirement Benefit Trust Fund (CERBTf).

**Affiliate Investment Programs Division (AIPD):** The Affiliate Investment Programs Division within INVO provides oversight and management of three CalPERS Programs: SIP, MHLF and management of the Affiliate Investments.

**AIM Program:** Alternative Investment Management (AIM) asset class is responsible for investing in domestic and international Private Equity investments, which are the securities of companies and partnerships that are not publicly traded. These investments include venture capital, growth capital, and buyout financing.

**Business Lines:** The combined activities and resources related to the accomplishment of a specific organizational goal (such as managing investments, or providing health insurance to members). CalPERS has identified three key business lines, each with its own unique focus and compliance issues. The three key business lines are Investments, Health, and Pensions.

**CalPERS Supplemental Income 457 Plan:** The CalPERS Supplemental Income 457 Plan is a supplemental retirement income plan available to employees of participating local public agencies and schools where participants can defer a portion of pre-tax salary and manage their investments.

**CAM:** Compliance Area Manager. There is at least one CAM for each of the three primary business lines (Investments, Health and Pensions). The CAMs provide specialized program area support on subjects pertaining to the business line for which they are responsible.

**Contracting Agency:** A public agency or school that contracts with CalPERS for the provision of retirement and/or health benefits.

**Control Structure:** The ethical and procedural framework created by the combination of all the control systems throughout an organization.

**Control Systems:** The systems and procedures that have been established to provide ongoing compliance monitoring and mitigate the risk of non-compliance with relevant laws, regulations, guidance, and policies.

**Corporate Governance:** The practices of company management and boards of directors who are elected to represent shareowners. Good corporate governance aligns the interest of management, boards, and shareowners to sustain long-term stock performance. Poor governance typically stems



from corporate policies and practices that diminish the voice and access of shareowners. The key initiatives of CalPERS corporate governance program are:

- Obtaining the right for shareowners to nominate and elect directors
- Curbing egregious executive pay
- Urging corporate disclosure regarding environmental and sustainability issues

**Enterprise:** For purposes of this report, the term “Enterprise” includes CalPERS:

- Board Members
- Officers
- Committee Chair persons
- Agents
- Consultants
- Employees

**Fixed Income:** The Fixed Income asset class is responsible for:

- In-house management of dollar-denominated securities for CalPERS.
- Affiliated Funds.
- The Deferred Compensation Program.
- Limited duration for CalPERS.
- Buying/selling mortgages in the MHLP.

The Fixed Income team actively manages on a total rate of return basis of approximately \$60 billion of CalPERS assets in various fixed income instruments, including commercial real estate mortgages, corporate bonds, residential mortgages, treasury bills, treasury bonds, treasury notes, agency pass-throughs, and others.

**Furlough:** Mandatory unpaid time off, required for California state employees under Governor’s Executive Orders S-16-08 and S-13-09.

**Global Equity:** CalPERS Global Equity asset class handles CalPERS investments in equity securities traded on any public market worldwide, including in-house management of domestic and international stocks, the Risk Managed Absolute Return Strategies, External Equity Managers, and the Corporate Governance Program.

**HIPAA:** The Health Insurance Portability and Accountability Act of 1996. HIPAA contains requirements regarding the protection of individual health information (privacy) and health insurance enrollment and coverage (portability).

**Inflation-Linked Asset Class:** Asset Allocation/Risk Management is responsible for the development and management of the ILAC. This new class will enhance CalPERS ability to link the Fund to inflation through four sub-asset classes of Infrastructure, Commodities, Forestland, and Inflation-Linked Bonds. Investments in these sectors offer more stable, long term returns that are less susceptible to market swings than common stocks.

**Member Home Loan Program (MHLP):** The MHLP provides mortgages to eligible CalPERS members purchasing a home.

**OPEB:** Other Post-Employment Benefits. Under GASB statement 45, government employers must report their costs and financial obligations for future benefits (such as health or vision coverage) that will be provided in addition to employee pensions.

**Protected Health Information:** Protected Health Information (PHI) is information that communicates an individual's health status, provision of health care to the individual, or health insurance or payment status. PHI is protected under HIPAA, and violations may result in fines.

**Proxy Voting:** The process of casting shareholder votes through an agent legally authorized to act on behalf of another party.

**Real Estate:** CalPERS Real Estate asset class invests in domestic and international private equity real estate through external investment partners, and in public equity real estate with external partners and internal CalPERS managers.

**Retiree Drug Subsidy:** Under Medicare Part D, employers who provide prescription drug coverage to their retirees are eligible to receive a federal subsidy equal to 28 percent of qualifying prescription drug costs.

**Sarbanes-Oxley:** Public Company Accounting Reform and Investor Protection Act of 2002. Sarbanes-Oxley established significant new requirements for the financial reporting and oversight of public companies.

**Securities Lending:** The process by which a brokerage lends securities owned by its clients to short sellers.

**State Peace Officers' and Firefighters' Defined Contribution Plan (POFF):** An employer-provided benefit negotiated between the State of California and the California Correctional Officers' Association.

**Supplemental Income Plans (SIP):** Supplemental Income Plans manages all CalPERS Defined Contribution Plans, including CalPERS Supplemental Income 457 Plan, State Peace Officers' and Firefighters' (POFF) Supplemental Plan, and Supplemental Contribution Plan (SCP).

**State Alternate Retirement Program:** The Alternate Retirement Program is a retirement savings program, administered by the Department of Personnel Administration, in which certain State employees are automatically enrolled for their first two years of employment with the State of California.

## Commonly Used Acronyms

<b>ACTO:</b> CalPERS Actuarial Office	<b>CDOP:</b> CalPERS Diversity Outreach Program
<b>ADA:</b> Americans with Disabilities Act	<b>CEC:</b> CalPERS Education Center
<b>AEO:</b> Assistant Executive Officer	<b>CEO:</b> Chief Executive Officer
<b>AESB:</b> CalPERS Actuarial and Employer Services Branch	<b>CERBT:</b> California Employers' Retiree Benefit Trust
<b>AIM:</b> Alternative Investment Management	<b>CERBTf:</b> California Employers' Retiree Benefit Trust Fund
<b>AIPD:</b> CalPERS Affiliate Investment Programs Division	<b>CM:</b> Change Management
<b>AOC:</b> Administrative Office of the Courts	<b>COBRA:</b> Consolidated Omnibus Budget Reconciliation Act of 1985
<b>AREIS:</b> CalPERS Automated Real Estate Investment System	<b>COLA:</b> Cost of Living Adjustment
<b>ARSC:</b> Additional Retirement Service Credit	<b>CORE:</b> CalPERS Constituent Relations Office
<b>ASB:</b> Administrative Services Branch	<b>CSED:</b> CalPERS Customer Service and Education Division
<b>ASTD:</b> CalPERS All Staff Training and Development	<b>D&amp;I:</b> Enterprise Diversity and Inclusion
<b>ASU:</b> CalPERS HBB's Administrative Service Unit	<b>DAC:</b> CalPERS Disability Advisory Council
<b>BNSD:</b> CalPERS Benefit Services Division	<b>DC:</b> Division Chief
<b>CalPERS:</b> California Public Employees' Retirement System	<b>DEO:</b> Deputy Executive Officer
<b>CalSTRS:</b> California State Teachers' Retirement System	<b>DOIS:</b> CalPERS Division of Operations and Infrastructure Support
<b>CAFR:</b> Comprehensive Annual Financial Report	<b>DVBE:</b> Disabled Veteran Business Enterprise
<b>CAM:</b> Compliance Area Manager	<b>ECOM:</b> CalPERS Office of Enterprise Compliance
<b>CAT:</b> Customer Acceptance Testing	<b>EEO:</b> Equal Employment Opportunity
<b>CBC:</b> CalPERS Business Connection	<b>EEOC:</b> Equal Employment Opportunity Commission
<b>CBT:</b> Computer-Based Training	<b>EMHS:</b> CalPERS Office of Employer and Member Health Services
<b>CCC:</b> CalPERS Customer Contact Center	<b>EOC:</b> Evidence of Coverage
<b>CCO:</b> Chief Compliance Officer	<b>EPAD:</b> Employee Performance and Development Process
<b>CCR:</b> California Code of Regulations	<b>ePM:</b> Electronic Partner Management
<b>CCU:</b> CalPERS Classification and Consultation Unit	<b>EPSO:</b> CalPERS Enterprise Privacy and Security Office
<b>CRO:</b> Chief Risk Officer	

<b>ERM:</b> Enterprise Risk Management	<b>HPPS:</b> CalPERS Office of Health Policy and Program Support
<b>ERRP:</b> Early Retiree Reinsurance Program	<b>HV:</b> HIPAA View
<b>ERSD:</b> CalPERS Employer Services Division	<b>IDS:</b> Intrusion Detection System
<b>ETM:</b> CalPERS Enterprise Transition Management	<b>IIA:</b> Institute of Internal Auditors
<b>EXAB:</b> CalPERS External Affairs Branch	<b>IIPP:</b> Injury and Illness Prevention Program
<b>EXEO:</b> CalPERS Executive Office	<b>IISD:</b> Innovation & Implementation Services Division
<b>FAQs:</b> Frequently Asked Questions	<b>ILAC:</b> Inflation-Linked Asset Class
<b>FCSD:</b> CalPERS Fiscal Services Division	<b>INVO:</b> CalPERS Investment Office
<b>FEHA:</b> California Fair Employment and Housing Act	<b>IPTS:</b> Investment Proposal Tracking System
<b>FEHC:</b> California Fair Employment and Housing Commission	<b>ISG:</b> Investment Strategy Group
<b>FISMA:</b> Financial Integrity and State Manager's Accountability Act	<b>ISO:</b> CalPERS Information Security Office
<b>FY:</b> Fiscal Year	<b>ISSCA Form:</b> Information Systems Security and Confidentiality Acknowledgement form
<b>GAAP:</b> Generally Accepted Accounting Principles	<b>IT:</b> Information Technology
<b>GASB:</b> Governmental Accounting Standards Board	<b>ITSB:</b> CalPERS Information Technology Services Branch
<b>GC:</b> Government Code	<b>JLRS:</b> CalPERS Office of the Judges' and Legislators' Retirement Systems
<b>GFOA:</b> Government Finance Officers Association	<b>JRF:</b> Judges' Retirement Fund
<b>GFI:</b> Global Fixed Income	<b>JRF II:</b> Judges' Retirement Fund II
<b>GOVA:</b> CalPERS Office of Governmental Affairs	<b>JRS I:</b> Judges' Retirement System I
<b>GRMI:</b> Governance/Risk Management Initiative	<b>JRS II:</b> Judges' Retirement System II
<b>GSLP:</b> Group Legal Services Plan	<b>L.E.A.D.E.R.:</b> Leadership Essentials and Direction for your Emerging Role
<b>HBB:</b> CalPERS Health Benefits Branch	<b>LEAP:</b> Limited Examination Appointment Process
<b>HBO:</b> Health Benefit Officer	<b>LEGO:</b> CalPERS Legal Office
<b>HCRI:</b> Health Care Reform Implementation	<b>LMS:</b> Learning Management System
<b>HHS:</b> Federal Department of Health and Human Services	<b>LRF:</b> Legislators' Retirement Fund
<b>HIPAA:</b> Health Insurance Portability and Accountability Act of 1996	<b>LRS:</b> Legislators' Retirement System
<b>HMO:</b> Health Maintenance Organization	<b>LSU:</b> Legislative Service Unit
<b>HR:</b> Human Resources	<b>LTC:</b> Long-Term Care
<b>HRSD:</b> CalPERS Human Resources Division	<b>LTCF:</b> Long Term Care Fund

**LTCG:** Long-Term Care Group

**LTCP:** CalPERS Long Term Care Program

**MBSB:** CalPERS Member and Benefit  
Services Branch

**MBSD:** CalPERS Member Services Division

**MHLP:** Member Home Loan Program

**MIS:** Management Information Services

**NEO:** New Employee Orientation

**OERM:** Office of Enterprise Risk Management

**OFAS:** CalPERS Office of Audit Services

**OHPA:** CalPERS Office of Health  
Plan Administration

**OPEB:** Other Post-Employment Benefits

**OPTD:** CalPERS Operations, Performance and  
Technology Division

**OSSD:** CalPERS Operations Support  
Services Division

**OWA:** Outlook Web Access

**P2F2:** Public Pension Financial Forum

**PAOF:** CalPERS Office of Public Affairs

**PBM:** Pharmacy Benefits Manager

**PBSD:** CalPERS INVO Policy and Business  
Support Division

**PEMHCA:** Public Employees' Medical and  
Hospital Care Act

**PERL:** Public Employees' Retirement Law

**PERT:** CalPERS Public Employers  
Readiness Team

**PHI:** Protected Health Information

**PII:** Personally Identifiable Information

**POFF:** State Peace Officers' and Firefighters'  
Defined Contribution Plan

**PPO:** Preferred Provider Organization

**PSR:** CalPERS Pension System  
Resumption Project

**RAMP:** Risk Assessment and Management Program

**REU:** CalPERS INVO Real Estate Unit

**RFO:** Request for Offer

**RFP:** Request for Proposal

**SAM:** State Administrative Manual

**SAS:** Statements of Auditing Standards

**SB:** Small Business

**SCO:** California State Controller's Office

**SCP:** Supplemental Contribution Plan

**SFP:** Self-Funded Plan

**SFTP:** Secure File Transfer Protocol

**SHP:** Sexual Harassment Prevention

**SIP:** Supplemental Income Plans

**SIR:** Systems Investigation Report

**SLA:** Service Level Agreement

**SMSD:** CalPERS Strategic Management  
Services Division

**SPB:** California State Personnel Board

**SSN:** Social Security Number

**TAG:** CalPERS Training Advisory Group

**TCLs:** Total Covered Lives

**TPA:** Third Party Administrator

**UARS:** User Access Request System

**VSW:** Voluntary Salary Waiver

**WCAG:** Web Content Accessibility Guidelines

**WDSS:** Web Development & Support Services

# Appendix D

## ECOM Resource Library

The books listed below have been purchased by The Office of Enterprise Compliance (ECOM) or provided by ECOM personnel attending various workshops, conferences or training sessions.

*2008 National Society of Compliance Professionals (NSCP) National Membership Meeting.* 2007.

Alexander, Clifford J. Esq., and Arthur C. Delibert, Esq. *Money Manager's Compliance Guide, Vols. 1 and 2.* Washington D.C.: Thompson Publishing Group, Inc., 2008.

Ambler, Diane E., Lorraine Massaro, and Kristen L. Stewart. *Sarbanes-Oxley Act: Planning and Compliance.* Austin: Aspen Publishers, 2007.

Banks, Theodore L., and Frederick Z. Banks. *Corporate Legal Compliance Handbook.* N.p.: Aspen Publishers, 2007.

Carter, Patricia I. *HIPAA Compliance Handbook* 2007. Austin: Aspen Publishers, 2007.

Chicago Board of Trade, *Commodity Trading Manual.* N.p.: n.p., 1998.

Chicago Board of Trade, *Commodity Trading Manual Home Study Workbook.* N.p.: n.p., 1997.

*Compliance Academy.* Conference materials. September 24-27, 2007, San Francisco, CA: Health Care Compliance Association.

*Compliance and Ethics Academy.* Conference materials and session handouts. August 12-14, 2008, Chicago, IL: Society of Corporate Compliance and Ethics.

*Compliance and Ethics Institute.* Conference materials and session handouts. September 12-14, 2005, Chicago, IL: Society of Corporate Compliance and Ethics.

*Corporate Compliance & Ethics: Guidance for Engaging Your Board (Vol. 1: The Board's Perspective).* Minneapolis, MN: Society of Corporate Compliance and Ethics, 2004.

*Corporate Counsel's Guide to Business Ethics Policies, 2008 Supplement.* N.p.: Thompson/West, 2008

*Corporate Counsel's Guide to Insider Trading and Reporting, 2008 Supplement.* N.p.: Thomson Reuters/West, 2008.

*Counsel of Compliance Officers Fall Conference. Conference materials and summary.* October 10-12, 2007, Sacramento, CA: CalPERS, 2007.

Daniel, Teresa A. *Cash Balance Pension Plans: A Practical Primer.* N.p.: International Foundation of Employee Benefit Plans, 2000.

Deloitte Development LLC. *IIA Participant Guide: Fraud Investigation Tools and Techniques.* Np: The Institute of Internal Auditors, 2008.

Hackleman, Paul, and Geoffrey Rothman. *Public Employee Benefits: From Inquiry to Strategy.* N.p.: International Foundation of Employee Benefit Plans, 2000.

Hamilton, James, and Ted Trautmann. *Responsibilities of Corporate Officers and Directors under Federal Securities Law, 2004-2005 Edition.* Chicago, IL: CCH Incorporated, 2004.

Hardesty, David E., and Paul Hilton. *Director's Guide to Sarbanes-Oxley Compliance.* N.p.: Warren Gorham & Lamont of RIA, 2004.

- Health Care Compliance Association. *The Health Care Compliance Professional's Manual*. N.p.: Wolters Kluwer Law & Business, 2006.
- Johnson, Michael, Andrew Foose and Katrina Campbell. *7 Steps to Investigate Alleged Employee Misconduct*. Charlotte, NC: Global Compliance Brightline Training Division, 2009.
- Kozik, Brian W. *Ready, Set, Comply! Compliance Games, Activities and Tools to Train Your Staff, Second Edition*. N.p.: HC Pro, 2005.
- Mancuso, Anthony. *How to Form a Nonprofit Corporation, 8th Edition*. N.p.: Nolo, 2007.
- McIntyre, Hal. *Securities Operations Glossary, Second Edition*. N.p.: Summit Group Press, 2001.
- Murphy, Joseph E., and Joshua H. Leet. *Building a Career in Compliance and Ethics*. N.p.: Society of Corporate Compliance and Ethics, 2007.
- National Regulatory Services. *21st Annual Fall Compliance Conference: Supervisory Oversight in the Complex World of Compliance*. October 3-6, 2006, Scottsdale, AZ: SourceMedia, 2006.
- Nelson, Bob. *1001 Ways to Reward Employees*. New York: Workman Publishing, 2005.
- NRS 20th Annual Spring Conference*. Conference materials. April 19-22, 2005, Scottsdale, AZ: National Regulatory Services.
- Professional Development Conference*. Conference materials. May 6-9, 2007, Manchester, NH: Association of Public Pension Fund Auditors.
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# Appendix E

## Licensed and Certified Staff

Certification	Division	CalPERS Staff	Certification	Division	CalPERS Staff
Associate of the Society of Actuaries (ASA)	ACTO	11	Certified Information Systems Security Professional (CISSP)	ISOF	1
Attorneys	LEGO	28	Certified Investments and Derivatives Auditor (CIDA)	OFAS	3
Chartered Alternative Investment Analyst (CAIA)	INVO	1	Certified Public Accountant (CPA)	FCSD	6
Certified Internal Auditor (CIA)	ISOF	1		ISOF	1
	OFAS	10		OFAS	10
	INVO	1		INVO	10
	OERM	1	Enrolled Actuary (under ERISA)	ACTO	4
Chartered Financial Analyst (CFA)	INVO	44	Fellow of the Conference of Consulting Actuaries	ACTO	1
	ACTO	2	Fellow of the Canadian Institute of Actuaries (FCIA)	ACTO	2
Certified Fraud Examiner	ISOF	1	Fellow of the Society of Actuaries	ACTO	5*
	OFAS	1	Financial Risk Manager (FRM)	INVO	2
Certified Government Financial Manager (CGFM)	OFAS	3			
	OERM	1			
Certified Information Systems Auditor (CISA)	OFAS	3			
	OERM	1			

\*Includes Retired Annuitant







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